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A full-issue study

Chain Store Age
Supermarkets
THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES
December 1981

Israel Cohen
Chairman and coo
Giant Food Inc.

GIANT STEPS AHEAD OF THE INDUSTRY

TWENTY EIGHT DOLLARS A YEAR (U.S.A.)

Chain Store Age
Supermarkets
December 1981

A FULL-ISSUE STUDY

CSA really has a Giant of an issue—an in-depth look at Giant Food Inc., one of the nation's most innovative chains. State-of-the-art technology and a keen interest in the people it employs and serves have put this mid-Atlantic leader on a course often divergent from the rest of the industry.

The Company

A well-tuned engine and well-trained people keep Giant out in front 20

Beyond scanning: moving toward the total computer company 24

Israel Cohen: an enlightened entrepreneur practices hands off and eyes on 26

The Market

Capital challenge heats up as Giant and Safeway go head-to-head 28

Labor-management paradox puts chains in a bind 29

CSA Consumer Study examines why Giant has the edge in the Washington-Baltimore market 30

The Stores

A combination of contrasts marks new prototype unit 36

Three ways to make a picture-perfect manager 38

Construction and real estate: prime locations and do-it-all-yourself supers 41

The Merchandise

Grocery: programmed for product, price and precision 46

Quality, efficiency mark changing perishables program 47

Rx and nonfoods: personal service and a sensible mix 50

Distribution

New frozen foods warehouse: sky-high at low temperature lets food freeze with ease 52

Support Services

Consumer affairs: speaking out for shoppers' interests 54

Government affairs: meeting the press—and the pressure 55

Personnel and training: creating that family feeling 57

In-house advertising agency gets the message across 58

Creative services: everything from packaging to TV commercials 60

Quality assurance: basement lab cooks up tough standards 62

The Future

Washington, D.C., gains may be Giant's fortune 64

Departments

Viewpoint
by Larry Schaeffer 13

Express Checkout 16

GM Report
by Allen "Bud" Levis 66

What's New 67

Capital Report 71

Business News 74

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Shoppers give Giant the edge in Washington, D.C.

It's a two-horse race in the nation's capital, where mammoth Safeway and regional power Giant Food are competing for volume and profits

There are tough markets, and then there are *really* tough markets. One city in which they clearly play for keeps is Washington, D.C., where Giant Food and Safeway Stores are enmeshed in what may be the country's most grueling struggle for market dominance.

The two retailers have corralled nearly two-thirds of the area's food business—Giant has roughly 34%, Safeway holds 29%—in a battle that has only intensified with the passage of time. And with these two behemoths throwing promotional haymakers, it's not surprising that bystanders like Pantry Pride have moved away to greener—and quieter—pastures.

The latest installment of the *Chain Store Age Supermarkets* Consumer Attitude Study suggests that despite recent Giant share gains, the game is far from over. Although Giant emerged as the favorite supermarket of 37.7% of the shoppers polled, a robust 33.3% call Safeway their first choice.

Both of the leaders enjoy a comfortable margin over the rest of the field. The Grand Union/Basics tandem ranks a distant third, the first pick of 10% of the survey participants. Interestingly enough, most voted for GU's quartet of warehouse outlets over the conventional supers (8.7% vs. 1.3%). Figures for other major supermarket operations were A&P, 6.0%; Magruder, 3.7%, and Jumbo Food Stores, 1.3%. Although commissaries reportedly hold as much as 6% of the market, shopper preference didn't reflect this. Evidently, Washingtonians patronize such places a lot more than they'd really like to.

The dire shortage of men in the D.C. area has gotten some play in the media of late. Husband-hunters would do well to patrol the aisles of the nearest Safeway or Giant: Nearly 84% of male shoppers picked one or the other as their first-choice food store.

Giant satisfies shoppers best

(Ranking in order of shopper satisfaction)

	Safeway	Giant	Grand Union	A&P	Magruder	Jumbo	Basics
Fast checkout	2	1	4*	4*	7	6	3
Helpful workers	2	1	4	3	5*	7	5*
Convenient location	2	1	4	3	6	7	5
Cleanliness	2	1	4	5	6	7	3
Low everyday prices	4	2*	7	6	2*	5	1
Ad specials	2	1	5	3	4	7	6
Variety & quality of private label	2	1	5	3	4	7	6
Variety & quality of national brands	2	1	4	3	5	6	7
Variety & quality of generics	4	3	5	2	6	7	1
Quality meat	4	1	7	6	3	2	5
Quality produce	3	2	6	5	1	7	4
Selection of gen. merchandise	2	1	4	3	7	6	5
Selection of H&BA	2	1	4	3	7	6	5
Average ranking	2.1	1.4	4.9*	3.8	4.9*	6.2*	4.3

*Indicates a tie
Source: Lebhar-Friedman Research

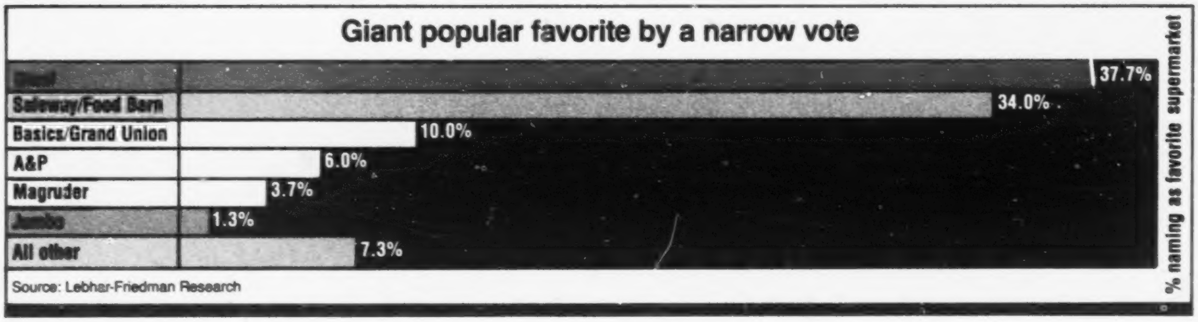
Besides being the favorite of 45.9% of the men, Giant is also strong among the affluent (41.7%), the young (44.7%) and the well-educated (43.5%).

But though the Landover, Md.-based company's consumer-oriented promotional thrust is reaching these groups, it may be sailing over the heads of some other segments of the community. Only about one shopper in four with less than a high school education thinks of Giant as their favorite supermarket. The same is true for consumers earning less than $15,000 annually, only 26.3% of whom look primarily to Giant. Finally, only a little more than three out of 10 potential customers 55 years of age and up term Giant their favorite supermarket.

Where do older shoppers do their marketing? More likely than not, the answer is Safeway. Almost 43% prefer to buy food at units fielded by the Oakland, Calif., company. Single shoppers are another group solidly in the Safeway camp, with more than four out of 10 preferring its stores.

A potential source of problems for Safeway is disaffection among under-35 consumers. Fewer than one in four call Safeway their favorite supermarket.

Demographic analysis indicates


Giant popular favorite by a narrow vote

Source: Lebhar-Friedman Research

that Basics is not simply inheriting old Grand Union customers, but instead is making converts among those who previously shopped elsewhere. The most striking statistic is that while GU's conventional outlets get less than 1% of the under-35-year-olds, the warehouse stores roll up an impressive 13.4%.

Shopper ratings for the various chains in 13 operations areas give Giant what appears to be a commanding lead over its archrival. The chain placed first in 11 of the 13 cate-

Behind the study

This month Chain Store Age Supermarkets *presents the final installment of this year's six-part study delving into consumer attitudes. Due to tremendous reader response, CSA will continue the series next year, beginning with an analysis of the St. Louis market.*

Each study is based on hundreds of telephone interviews conducted by Lebhar-Friedman Research, with this magazine's own research arm furnishing supplementary analysis of the extensive data generated by this examination into what shoppers are thinking and feeling.

gories, finishing as low as third only with regard to the quality and variety of its generics—not surprising, since Giant currently offers only six no-frills sku's. Even in produce, not generally perceived as one of Giant's towers of strength, the chain came in second only to Magruder.

It must be noted, however, that the margin of victory over Safeway—which notched nine second-place finishes—was so small as to be relatively insignificant. Furthermore, the very success of Safeway's Scotch Buy no-frills program seems to have boomeranged in the ratings. Many shoppers do not seem to perceive Scotch Buy as a generic and therefore gave Safeway only a fourth-place rating in that category.

Also worth noting is that customers give a significantly higher satisfaction rating to Basics than to conventional Grand Union supers. The warehouse operation is now ranked as the area's price leader. ☐

Quality perishables biggest drawing cards

	Extremely important (%)	Very important (%)	Somewhat important (%)	Not too important (%)	Not at all important (%)	No answer (%)
Fast checkout	15.3	54.0	19.7	7.7	3.0	0.3
Helpful workers	12.0	42.3	29.0	13.0	3.0	0.7
Cleanliness	32.3	53.7	12.7	1.0	—	0.3
Convenient location	36.7	49.3	9.7	3.3	1.0	—
Low everyday prices	38.3	39.0	16.3	4.0	2.0	0.4
Ad specials	12.0	37.0	25.7	15.3	9.7	0.3
Variety & quality of private label	12.0	35.7	31.7	14.0	6.0	0.6
Variety & quality of national brands	13.0	39.7	29.3	13.0	5.0	—
Variety & quality of generics	6.7	14.3	22.0	28.0	27.7	1.3
Quality meat	43.0	46.7	5.0	2.3	3.0	—
Quality produce	47.7	46.3	5.0	0.7	0.3	—
Wide selection of gen. merchandise	13.7	34.0	26.0	15.3	11.0	—
Wide selection of H&BA	4.3	9.3	25.0	25.0	36.0	0.4

Source: Lebhar-Friedman Research

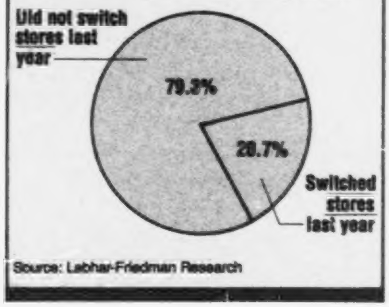
Low-price lure stirs up store switchers

The *CSA Supermarkets* Consumer Attitude Study provides ample confirmation of the volatility of the Washington, D.C., market. More than one out of five shoppers in the nation's capital selected a new favorite supermarket within the last 12 months. That's one of the highest rates of store-switching in the entire country!

As might be expected, about half of those who changed favorites previously shopped at one of the two leaders, Safeway and Giant. Sounding alarm bells for A&P is the fact that the Tea Company lost nearly as many patrons, despite its much smaller customer base.

Younger shoppers, those under 35 years of age, are the most likely to change stores in this market. Nearly three out of 10 did so last year. Other groups displaying a propensity to play "musical stores" include marrieds (25.0%), the affluent (24.4%) and women (22.6%)

One in five switched stores



Source: Labhar-Friedman Research

The most likely to exhibit store loyalty are men (14.9% changed), singles (13.0% moved) and seniors (12.0% switched).

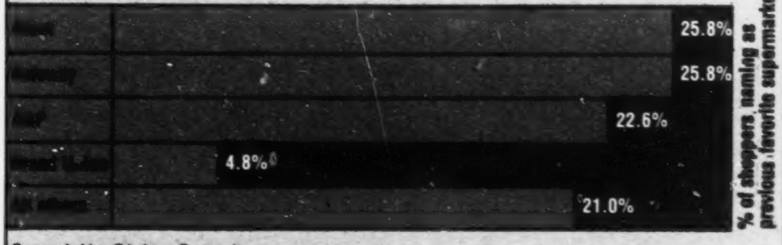
As might be expected, in light of some of the promotional campaigns mounted in D.C. over the last year or so, price is the chief weapon in the war for market share. Over 56% of those who have picked a new favorite supermarket within the last 12 months identify price as the primary reason for making the change.

Younger shoppers—many of whom are still climbing toward their earning peak—are especially responsive to the lure of low prices. Seven out of 10 switchers under 35 did so for that reason. More highly educated consumers are, apparently, very nearly as sensitive to differences in price among area food retail outlets. More than 60% of shoppers holding college degrees who changed favorite stores did so to reduce their food bills.

The second most frequently mentioned reason was a desire to find a store with greater product variety. Nearly 18%—and much higher percentages of younger and better-educated customers—cite this as the cause for switching.

Convenient location does not play a big role, possibly because the area studied is so physically compact. ☐

Giant, Safeway lose largest percentage of switchers



Source: Lebhar-Friedman Research

Major food day draws lighter spending

Warehouse pricing is having a profound impact at the checkout counter, findings of the Consumer Attitude Study suggest. The typical shopper now spends $60.40 on his or her major food marketing excursion, one of the lowest totals for any major American city. Clearly, consumers are benefiting in a fairly direct manner from all the jockeying for price leadership.

The largest average receipts are found, as might be expected, at Basics, where the typical patron leaves $77.70 behind on food day. Nearly three out of 10 Basics shoppers qualify as big spenders, shelling out $100 or more at the end of their main food buying trip.

Giant customers are apt to spend somewhat more than those at Safeway. Average tape runs $62.10 at Giant, $56.80 at Safeway.

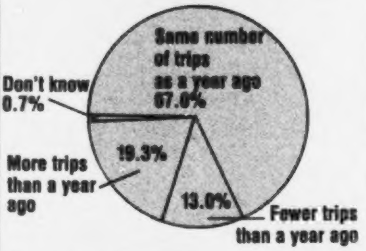
Another factor contributing to the lower average for the main supermarketing jaunt is that Washingtonians go back to the store somewhat more often for fill-ins than is the case in other market areas. Two additional trips per week is the median, and typical spending is $15. A&P shoppers spend heaviest on supplemental supermarketing—$21.40—while patrons of Grand Union disburse the least, $5.20.

The main shopping days in Washington, as in many other cities, are Thursday, Friday and Saturday. Only 13% of area consumers claim to regularly do their marketing on the first three days of the week. By contrast, figures for the heavy traffic days are: Thursday, 16.0%; Friday, 18.7%, and Saturday, 16.3%. About one shopper in four reports that he or she has no specific shopping schedule that remains constant from week to week.

A couple of retail operations display patterns that vary somewhat from the overall market norm. Safeway, for instance, gets over 20% of its customers on Saturday and also has better-than-average Tuesdays. Basics has a pattern that is more strongly skewed toward the end of the week than its competitors; almost half of its shoppers do their business on Friday and Saturday.

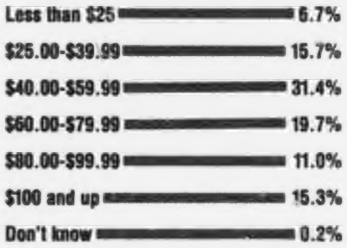
Four out of 10 shoppers prefer to do their marketing in the morning, while slightly more than one-quarter schedule shopping for the evening. ☐

Trend is toward more frequent shopping



Source: Lebhar-Friedman Research

Average trip costs $60.40
(Avg. spending on major food day)



Source: Lebhar-Friedman Research

Capital shoppers: prepared but flexible

Approximately two-thirds of Washingtonian shoppers prepare for visits to the supermarket by making a shopping list. Nearly 66% always or frequently do so, while another 15% arm themselves with lists occasionally. Though this is slightly less list-making activity than for some of the other markets *CSA* has studied, it certainly doesn't indicate any undue carelessness on the part of D.C. residents.

Most dedicated to such advance planning are patrons of Grand Union. Approximately four out of five GU customers pursue this practice. Such lists are a slightly less common sight at Giant (57.5% always do) and Safeway (56.0% always do). Perhaps customers of these chains feel that they're likely to find so many unexpected bargains that it's not worthwhile to be too rigid in advance.

Eight out of 10 D.C. shoppers report that they get the bulk of their food-buying information through the newspapers. So it's surprising that one in five never checks the food ads in their daily papers. These folks are evidently learning what they know about food from the headlines and consumer advice columns and are skipping the commercial messages from the chains.

More common by far, of course, are the consumers who do regularly scrutinize food ads. More than four out of 10 always do so.

Though only about 15% of area shoppers report that they catch ads for supermarkets on TV and radio, a couple of operators are achieving substantially better penetration. Approximately 28% of Basics patrons always or frequently utilize the two electronic media, as do 22.3% of A&P customers.

Unlike some other volatile markets, bonus coupons are apparently not a tremendous factor. ☐

—Arnie Katz

Two-thirds use shopping lists

Activity	Always (4)	Frequently (3)	Sometimes (2)	Never (1)	Mean Avg.
Make shopping list	55.0%	10.7%	15.0%	19.3%	3.01
Check newspaper store ads	40.7	13.7	22.6	23.0	2.72
Clip manufacturers coupons	34.3	12.7	28.0	25.0	2.56
Note radio & TV store ads*	9.3	5.7	28.7	56.7	1.68
Note stores offering bonus coupons	10.6	6.7	19.0	63.7	1.64

Source: Lebhar-Friedman Research *0.0% did not answer

Allied bids farewell to Chapter XI

Allied Supermarkets has finally emerged from Chapter XI. The chain has consummated its plan of arrangement for settlement with its creditors, ending the proceedings which began Nov. 6, 1978.

Under the plan, Allied issued two new classes of convertible-redeemable preferred stock to a New York venture capital firm and a partnership. The Detroit-based firm also obtained a three-year secured line of credit from Continental Bank of Chicago, which will range between $4.5 million and $7.5 million, and mailed checks to creditors whose claims have been allowed in the amounts due them under the plan.

The chain has also closed six supermarkets—three in Michigan, two in Texas and one in Oklahoma—in connection with the plan. This will leave Allied with 78 supers, as well as the Abner Wolf Wholesale Co. and seven cash-and-carry wholesale stores.

A&P posts bleak first-half figures

Although the figures aren't as bad as last year's, A&P is still recording its results in red ink.

The Tea Company reported sales of $3,425,607,000 for the first six months of fiscal 1981, a slight rise from 1980's $3,354,801,000. The chain, however, suffered a loss of $21,765,000 for the period ended Aug. 29. In the comparable period in 1980, the loss was $30,897,000, but this included a $9,400,000 charge for an employee severance and early retirement program.

The results didn't include any provision for the 16 Plus stores closed during the second quarter. A statement from the chain said that it is conducting a study of the entire Plus operation and will establish a provision for the closed stores.

James Wood

James Wood, A&P's chairman and ceo, blamed the poor results on price wars in Philadelphia, Baltimore and Washington, D.C.

Big V profit margin back to normal

Big V Supermarkets' earnings for the nine months ended Sept. 16 rose a whopping 32% to $4,310,215. Sales hit $334,526,139, 11% over the $300,096,562 logged in the same period a year ago.

A. Richard Rosenberg, president of the Florida, N.Y.-based Shop-Rite affiliate, said part of the reason for the extreme profit increase was that in 1980 the company was forced to employ "aggressive marketing strategies" to protect its market share. This caused a dip in profits while sales volume rose. In 1981, Big V has built on the increased sales while returning to "more normal" profits margins.

Cullum earnings jump record 21%

Texas-based Cullum Companies notched record sales and earnings for fiscal 1981, its sixth consecutive record-breaking year.

Sales for the year ended June 27 were $974,934,000, up from $864,974,000 in fiscal 1980. The chain logged a net income of $13,645,000, compared to $11,290,000 a year ago—a rise of 21%.

According to chain executives, Cullum is launching a $90 million, three-year expansion program. The company remains committed to combo stores.

Kroger improves sales and earnings

Kroger Co. sales hit $8,524,482,300 for the 40 weeks ended Oct. 10, up 12.2% from the same period a year ago, while net earnings logged a 16.5% rise to $75,452,239.

The improvement in earnings came in part from lower LIFO charges and higher investment tax credits in the third quarter. The aftertax LIFO charge for the '81 third quarter was $7.5 million.

Lyle Everingham, chairman of Kroger, said that third-quarter results didn't meet expectations but that a favorable trend developed throughout the period. He added that earnings were increased by $3.1 million by a nonrecurring aftertax profit on the sale of 21 drug stores in Houston. A three-week strike in Indiana had a negative effect, and the SupeRx drug store division continues to drain earnings.

Supermarket Financial Scoreboard

Operation	Period	Date	Sales	% Inc./ Dec.*	Net Income	% Inc./ Dec.*	Net-to-sales ratio
Big V	9 mos.	9/26	$ 334,536,139	11	$ 4,310,215	32	1.29
Kroger	9 mos.	10/10	8,524,482,300	12	75,452,239	17	0.89
Waldbaum	9 mos.	9/12	937,908,000	11	5,142,000	– 8	0.55
A&P	6 mos.	8/29	3,425,607,000	2	(21,765,000)	—	—
First National	6 mos.	9/12	548,323,000	– 6	1,662,000	–39	0.30

*Compared to same period a year ago

Source: *CSA Research*

Figures in parentheses denote a loss.

Safeway floral-a[illegible]ment
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Outlook '82: cautious, hopeful

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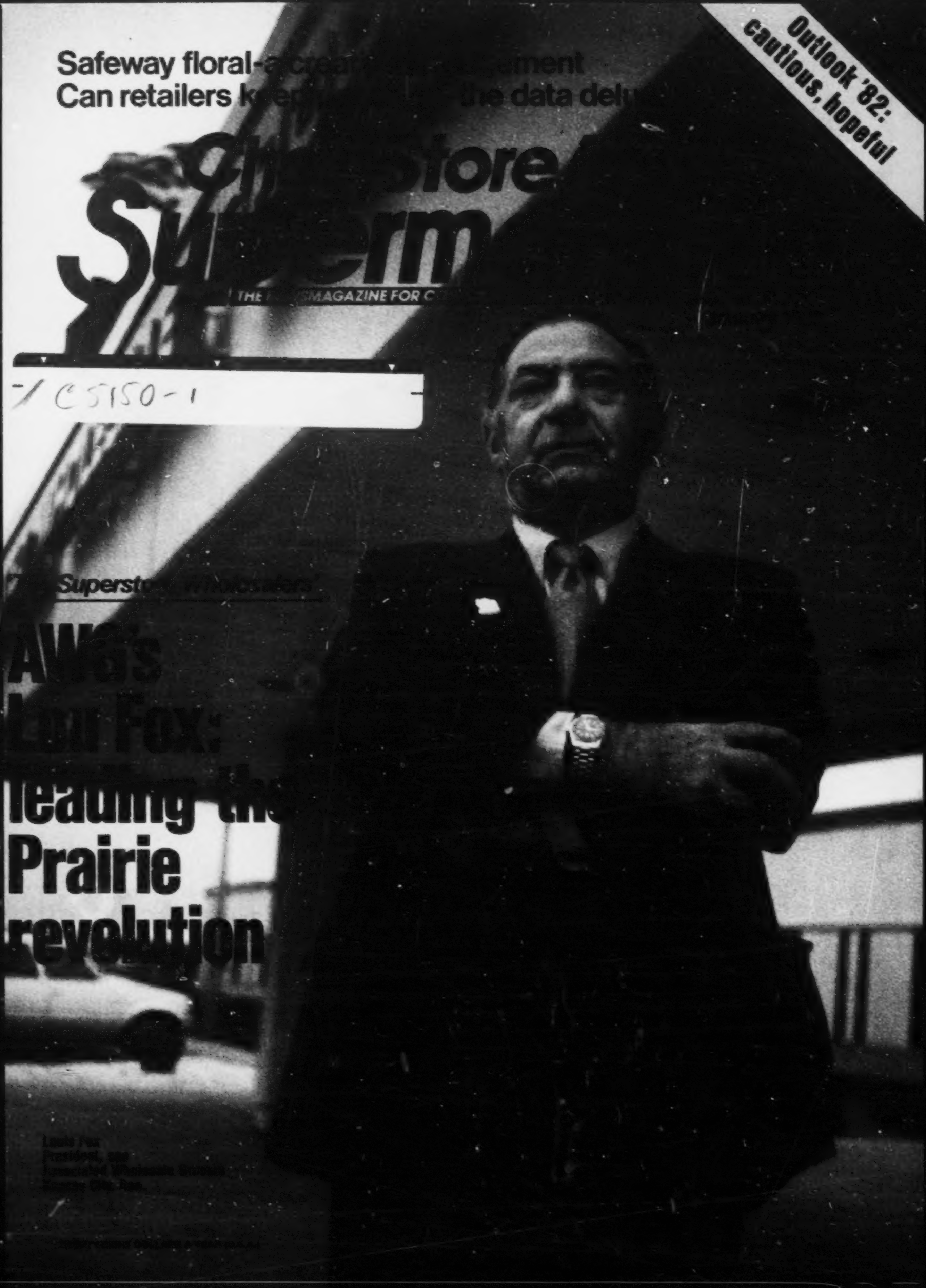

'The Superstore Wholesalers'

AWG's Lou Fox: leading the Prairie revolution

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Chain Store Age
Supermarkets

January 1982

AWG's Price Chopper warehouse stores are logging volume 2-3 times that of conventional supers in K.C. .... *p. 30*

On the Cover

Associated Wholesale Grocers' Louis Fox has geared his whole company to serving warehouse stores. This in-depth look at the man and his operation begins a series of profiles on the Superstore Wholesalers 30

Outlook 1982

Competition has replaced inflation as the No. 1 worry of food chain execs 22

Concern over Federal regulations still clouds the picture from the Capital 24

On the commodities front, good crops and a bad economy will hold prices in check 26

Special Report

The data revolution is spreading to every aspect of the industry. Will retailers be able to keep pace? 45

Industry News

CSA's yearlong consumer attitudes survey of six major United States markets shows price is top priority coast to coast 28

Acquisitions: is the FTC's position on food chain mergers softening? 37

Giant-Pa: Lee Javitch prepares his chain to cope with a new parent company 40

Merchandising News

Bakery: one ShopRite's switch to self-service heats up sales 65

Safeway floral: Seattle's Warren Newell turns his department into a hotbed of ingenuity 67

GM/H&BA Extra: what—and who—is new in nonfoods 73

Housewares: careful planning is the best game plan in town 77

Romance books: consumers are falling in love with love, and continuity series are thriving 83

Departments

Viewpoint *by Larry Schaeffer* 13
Express Checkout 17
Produce Wrap-up *by Jim Halloran* 69
GM Report *by Allen "Bud" Levis* 86
Equipment Focus 88
Scan Analysis 91
What's New 93
Capital Report 96
Business News 98

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Outlook
1982

Competition now

With inflation headed for single digits, and the Government promising a laissez-faire attitude, supermarket executives say life will be much simpler in 1982: All they are worried about is getting eaten alive by the competition.

In a *CSA* poll of chief executives of the nation's top 100 chains, competition was named as their most pressing concern for the year ahead. Two years ago, it wasn't anywhere near the top, and last year it was a lowly fifth.

There is a bit more optimism among executives than in the previous *CSA* Outlook poll, although no one is leaping off the deep end and predicting a big turnaround for the industry. They are still worried about the escalating cost of labor and energy in particular.

One reason for the change in mood is, quite obviously, the change of administration in Washington, D.C. The men who direct America's leading supermarket companies were never really comfortable with President Carter and the intrusive legislative and regulatory efforts that characterized his term in office.

The Reagan Administration's much publicized pro-business stance, on the other hand, has proven a balm for the jangled nerves of food chain chiefs. A reflection of this new spirit is that "Government," which ranked well up on the list of serious worries in the last two surveys, barely received a mention this time around.

Although some Republican initiatives—the food stamp program springs to mind immediately—have drawn some criticism from the food retailing business, participants in the "Outlook" study are fairly confident about the Administration's ability to control inflation.

Another reflection of this is that an overwhelming majority of chain executives—87.5%—feel certain that 1982 will not witness a rerun of the double-digit inflation that has plagued the country for the past several years.

Approximately the same percentage agree with the statement that "The economic policies of the Reagan Administration are significantly improving the fiscal situation in the United States." There is, however, a definite realization that things won't be set to rights overnight. Obtaining financing for capital construction and other expansion projects still rates as one of the most serious problems besetting the supermarket field. In fact, it finished third on this year's list of woes, exactly the same spot it held in 1981.

With chain top managers feeling a bit better about Government and the economy, at least in the long run, it is perhaps only natural that they should turn inward, back to food retailing itself, as the top-priority worry for 1982.

Some retail executives couched their disquiet in terms of maintaining market share, others stressed pure volume, while a few sounded off on the problem of increasingly expensive promotions like double-couponing. It boils down to the same thing: In an era of slow population growth and little economic expansion, the battle to attract and hold shoppers becomes a struggle for survival.

Although slightly more than half expect price to be the single most important competitive factor in the new year, almost nine out of 10 execs contend that limited assort-

Inflation much less cause for worry

1980	1981	1982
1. Productivity	1. Inflation	1. Competition
2. Inflation	2. Labor	2. Labor
3. Labor	3. Financing	3. Financing
4. Government	4. Energy	4. Energy
5. Energy	5. Competition	5. Inflation
6. Financing	6. Government	6. Profits

Source: *CSA Research*

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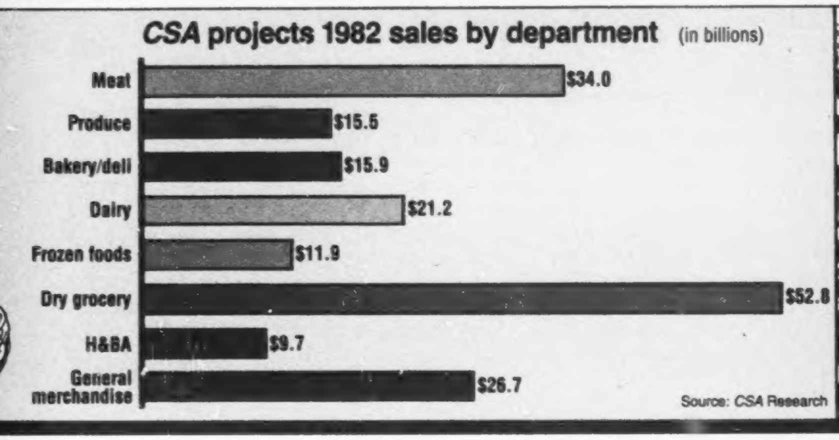
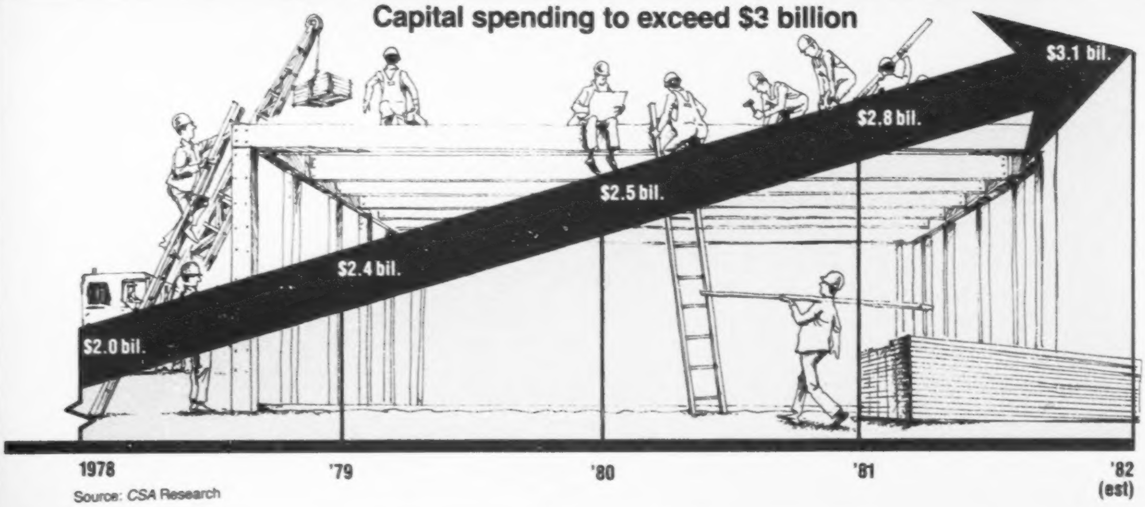
INFLATION
1

No.1 exec worry



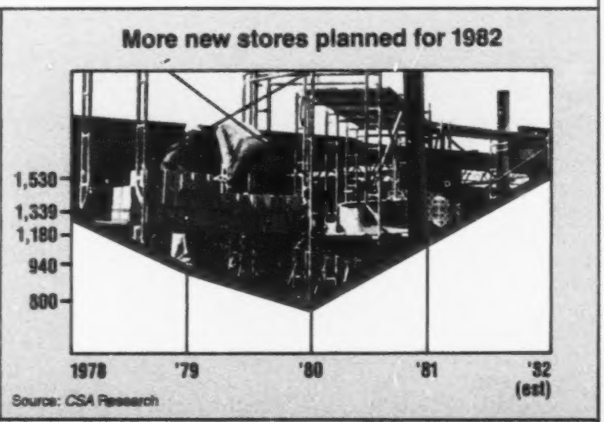
Source: *CSA* Research



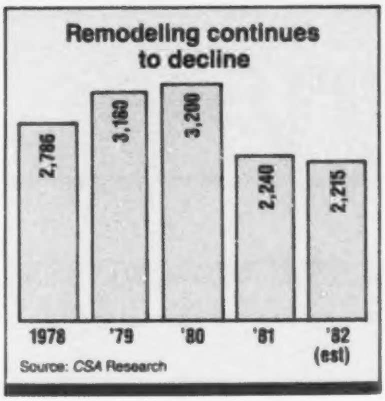
Source: *CSA* Research

92+%

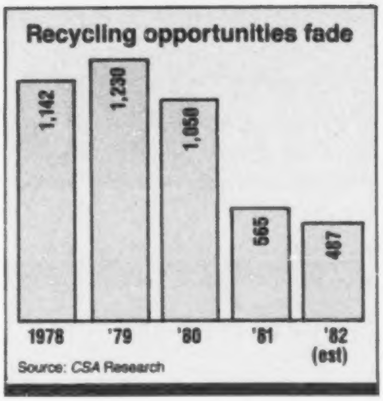
More than nine out of 10 new units to be opened by the top 100 chains will have front-end scanners.



Source: *CSA* Research


Remodeling continues to decline

Source: *CSA Research*


Recycling opportunities fade

Source: *CSA Research*

ment stores will not have the jarring effect on conventional supers that many had forecast. The consensus is that they have failed to fulfill early expectations and should begin to decline during the next 12 months.

The future for generic products, however, is considerably sunnier. Survey participants are looking forward to especially good sales gains for plain wrap in the dry grocery, paper product and health and beauty aid categories.

Construction: This year will see more new supermarkets with a corresponding dip in the number of remodels and recycles. Partly as a result of inflation and the high cost of money, the food retailing industry will spend in excess of $3.1 billion on such projects over the next 12 months.

The typical new unit will definitely fall into the superstore category. Stores scheduled to open their doors this year will average 32,700 sq. ft. Only one chief executive participating in the study reports that his outfit will be building supers of less than 25,000 sq. ft. By the same token, the largest single outlet mentioned is expected to be approximately 45,000 sq. ft.

Although some retailers are still foot-dragging on scanning, this cannot be said about the leading 100 super chains. Over 92% of all stores they plan to build in 1982 will have scanners at the front end.

The continued decline in the number of recycles reflects the growing scarcity of opportunities in this area. It should be noted, however, that this study was completed shortly *before* A&P announced its latest retrenchment. The Tea Company's move could open the way for much more activity than anticipated on the recycling front, so the actual 1982 total could well turn out to be a few hundred units above the estimate. ☐

Capital cloud looms over industry

Despite a more conservative, pro-business Congress and an Administration committed to the repeal of burdensome Federal regulations, supermarket industry leaders are bracing for a tough year in Washington during 1982.

On Capitol Hill, the top legislative concerns range from proposed new retail restrictions on federally subsidized Industrial Revenue Bonds to efforts by a growing number of supplier groups to seek antitrust exemptions legalizing exclusive distributional territories.

The most immediate food chain legislative worry in the waning days of 1981 was the aggressive campaign by environmentalists to enact a national "bottle bill" requiring a minimum 5¢ deposit on all beverage containers sold by supermarketers.

Aside from the obvious sanitation headaches, industry lobbyists contend that such a mandatory deposit on bottles and cans would boost supermarket labor costs by an annual average of $10,000-$20,000 per store.

In addition, chain execs fear a sharp drop in beer and soft drink sales volume due to significantly higher consumer beverage prices resulting from a national ban on throwaway containers.

Although opponents of Federal container deposit bills have been able to keep these proposals tied up in committee in recent years, food retailers have reason to be particularly concerned about the current drive. This time around, the Senate Commerce Committee, which holds jurisdiction over the legislation, is being chaired by Sen. Robert Packwood (R-Ore.), a leading advocate of the bill.

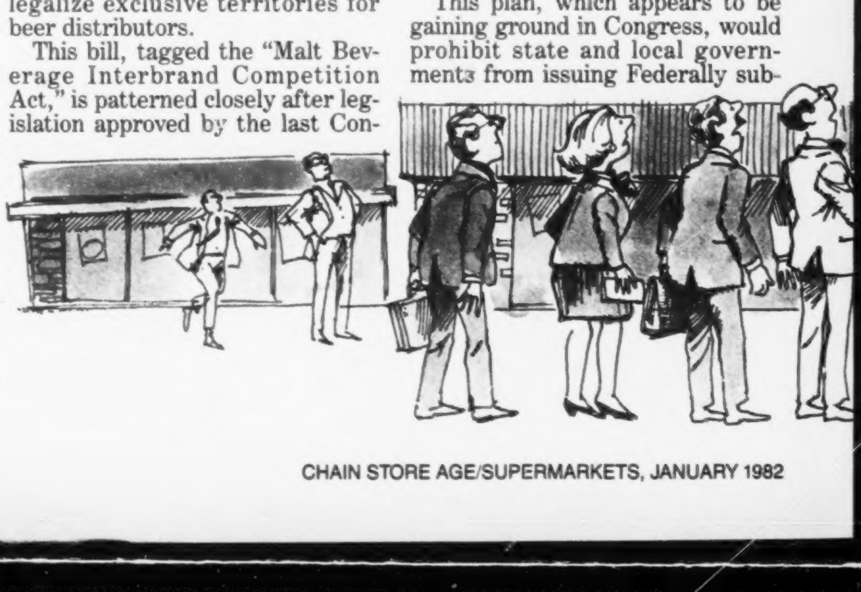
Beverages are also the focus of another pressing legislative concern—the campaign by brewers to legalize exclusive territories for beer distributors.

This bill, tagged the "Malt Beverage Interbrand Competition Act," is patterned closely after legislation approved by the last Congress granting soft drink bottlers a special antitrust exemption to require retailers to purchase from a single designated distributor.

Over the longer haul, food retailers fear that passage of the malt beverage bill would encourage other major supplier groups to seek similar antitrust exemptions.

On a separate plane, Congressional tax reformers at the House Ways and Means Committee are debating proposed new restrictions on the availability of low-interest Industrial Revenue Bonds (IRBs) to supermarket chains and other "commercial" businesses.

This plan, which appears to be gaining ground in Congress, would prohibit state and local governments from issuing Federally sub-



CSA Survey Review:

Price gets priority

The siren song of low prices is the single most potent attraction in the food retailing marketplace today. That's the principal conclusion to be drawn from an analysis of the six major-market consumer attitude studies conducted by *Chain Store Age Supermarkets* during 1981.

Data compiled by Lebhar-Friedman Research from more than 2,000 telephone intercepts in six key market areas—northern New Jersey, Los Angeles, New Orleans, Minneapolis-St. Paul, Chicago and Washington, D.C.—corroborates the findings of both this year's and last year's "Outlook" supermarket executive polls. In each of the two studies, chain chiefs identified price as the decisive competitive factor.

Whether the consumer resides in a highly volatile market like Minneapolis-St. Paul or a relatively placid one such as New Orleans, the opportunity to trim food expenditures is proving just about irresistible. Only in northern New Jersey, where nearly one out of four consumers cites the region's rampant store closings as the primary reason for switching favorite supermarkets, does any other reason outweigh the magnetic lure of smaller register tapes. And, of course, northern New Jersey is widely known as one of the most hotly price-competitive areas in the country thanks primarily to the price-slashing tactics employed by Pathmark Supermarkets and the high-volume ShopRite store operators, as well as more than a handful of discount-oriented independents.

Washington, D.C., the scene of an extended struggle between Safeway Stores and Giant Food for volume leadership, is the city in which price has played the largest role in inducing consumers to change their principal food shopping outlet during 1981. A whopping 56.3%—more than three times as many store-switchers as cite the next most significant reason, greater product variety—claim that lower retail prices caused them to alter previous store allegiance.

Although some regional differences emerge from the series of studies, there is a surprising amount of overlap among the various markets when it comes to what consumers demand from their favorite stores. Asked to rate the importance of 13 major categories of store operations, survey participants assign the top priority to a high-quality produce department. More than nine out of 10 shoppers in most of the areas studied consider quality produce to be extremely or very important. Historically, the meat department has reigned as the heftiest contributor to store image, but changes in the American diet and lifestyle emphasizing

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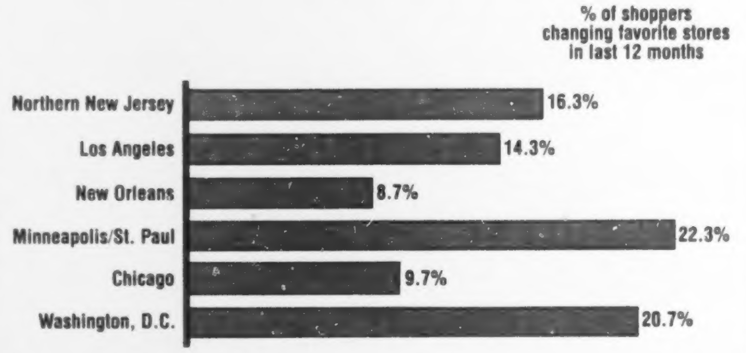
Twin Cities most volatile market



Source: Lebhar-Friedman Research

Low prices inspire store switchers

% of switching shoppers citing as the main reason:

	Store closed	More convenient	More product variety	Shopper moved	Lower prices
Northern New Jersey	24.5%	12.2%	6.1%	—	22.4%
Los Angeles	—	11.6	9.4	12.2%	25.6
New Orleans	11.5	19.2	11.5	15.4	42.3
Minneapolis/St. Paul	10.6	16.7	13.6	25.8	42.4
Chicago	6.9	17.2	6.9	10.3	37.9
Washington, D.C.	9.7	6.5	17.7	—	56.3

Source: Lebhar-Friedman Research

coast to coast

Chicagoans spread purchases most

% of shoppers using

	1 store	2 stores	3 stores	4 or more stores
Northern New Jersey	44.7%	44.3%	11.7%	3.3%
Los Angeles	54.3	36.3	6.3	2.9
New Orleans	55.7	33.7	9.3	1.3
Minneapolis/St. Paul	58.0	29.7	10.1	2.3
Chicago	44.0	36.3	18.3	1.4
Washington, D.C.	48.7	37.3	11.0	3.0

Source: Lebhar-Friedman Research

Produce holds greatest attraction

(% of shoppers rating as extremely or very important)

	N.J.	L.A.	N.O.	Minn.-St. Paul	Chi.	D.C.
Fast checkout	71.0%	75.3%	71.0%	59.6%	70.7%	69.3%
Cleanliness	87.7	92.7	87.4	77.0	87.7	85.0
Convenient location	83.0	82.7	83.3	68.6	79.4	86.0
Helpful workers	60.3	61.0	57.7	42.3	54.0	54.3
Low everyday prices	79.7	74.3	83.4	78.6	79.0	77.3
Ad specials	54.0	42.0	57.4	52.4	53.7	49.0
Variety & quality of private label	55.7	47.4	58.0	33.3	38.7	47.7
Variety & quality of national brands	60.0	61.4	61.0	47.7	53.6	52.7
Variety & quality of generics	24.0	18.7	27.0	13.3	29.0	21.0
Quality meat	85.4	86.5	91.0	84.0	77.7	89.7
Quality produce	89.3	92.6	91.0	93.0	87.3	94.0
Selection of general merchandise	53.3	46.3	63.3	19.0	46.7	47.7
Selection of H&BA	25.3	16.0	29.0	8.7	9.7	13.6

Source: Lebhar-Friedman Research

lighter meals and less red meat have, apparently, toppled the meat department from its long-held throne.

Which isn't to say that meat is not still a very, very important consideration. It certainly is. More than 85% of the shoppers in the six regions believe that quality meat is extremely or very important.

Comparison of survey data also makes it crystal clear that store cleanliness has a lot of clout with consumers. In at least one city, Los Angeles, cleanliness actually rates as the most important factor shoppers consider when evaluating a supermarket. Even in the Twin Cites, where store cleanliness receives the lowest score of any of the six regions, more than three-quarters of the survey sample deem it extremely or very important.

Interestingly, convenient store location outranks both helpful store workers and fast checkout in all six markets. The continued high cost of gasoline is probably the main reason for this emphasis on location. Although there is certainly a long-term trend toward fewer marketing trips—the surveys reveal that most shoppers are making approximately the same number of visits to the supermarket now as they did a year ago—there's evidence that many aren't willing to go quite as far afield as was the case a few years back.

Although numerous retailers have complained about shoppers who cherrypick the hot specials, low everyday prices count more heavily than a few super bargains to most. While about half those polled term ad specials extremely or very important, three-fourths of the shoppers feel the same about low everyday retails.

A good selection of high-quality national brands is still more important than a strong private label or generics program, despite the demonstrable effectiveness of no-frills merchandising. Between 50% and 60%, on the average, feel that brands are extremely or very important. Private label is especially strong in two regions, northern New Jersey (55.7%) and New Orleans (58.0%), but otherwise is of major concern to only about 40% of customers.

The value of generics to shoppers is directly related to the strength of plain wrap programs in each market. The no-frills products have the biggest impact in Chicago, where outfits like Jewel and Hillman have done an outstanding promotional job, and are less significant in other cities like Minneapolis-St. Paul, where plain wrap is not as heavily stressed by retailers. ☐

Six-market survey

Minneapolis-St. Paul
Chicago
Los Angeles
New Orleans
Northern New Jersey
Washington, D.C.

In 1981, Chain Store Age Supermarkets *delved into consumer attitudes in the six volatile markets pinpointed above.* CSA *will continue this revealing study in 1982, beginning next month with an examination of the St. Louis market.*

BUSINESS NEWS

Giant sales rise; quarter in black

Giant Food Inc. registered a hefty $1,134,125,000 in sales for the first nine months of fiscal 1981, a rise of 17.07% over 1980 figures.

Israel Cohen, president

The Landover, Md.-based firm didn't do as well in the net income column, though, for the period ended Nov. 7, 1981: Profits were only $4,534,000, down from $8,008,000 in 1980.

However, the third quarter did show a rebound after the loss the 128-store chain recorded in its second quarter. Income for the third three-month period was $6,770,000, 1.70% of sales.

A 19.9% sales rise over the same time period in 1980 and a lower effective tax rate were credited by the company as primary factors in the quarter's positive results.

Seaway sails smoothly into '82

Seaway Food Town reported a banner year in fiscal 1981. Sales soared 20% to hit $428,510,000, while net income jumped 13.4% to $5,203,000.

Part of the reason for the excellent results was expansion. In the year ended Sept. 26, 1981, the Ohio-based company added 18 retail locations, while closing only three smaller stores. Nine of the units were Tracy & Avery Inc. units, part of the Mansfield, Ohio, chain acquired during that period. Six stores were also added in the Columbus area; along with a Dayton outlet, which will be joined by two more, these are operating as Kash 'N Karry Warehouse Markets.

Seaway is constructing new stores as well as taking over old ones; three units were opened in the last few months of 1981. The additions push the number of retail outlets to over 70. The company also does a wholesale business.

Profits soar again for Mott's

While other chains struggle, Mott's Super Markets keeps ringing up more and more impressive figures.

The East Hartford, Conn.-based company, which operates 25 ShopRite supers in its home state and neighboring Massachusetts, is moving through fiscal 1981 even more successfully than it did in '80. Sales for the nine months ended Oct. 3, 1981 were $215,856,459, a healthy 13% over the same period a year before. But it's the net income figures that really shine; they soared 54.1% over '80 to $3,327,615.

The jump is even more incredible when compared to 1980 figures, which were 31% over 1979's.

Chain president Stanford Cohen attributes the healthy performance to improved efficiency and profitability produced by the company's Management Analysis and Planning System (MAPS). He adds that MAPS, along with a management and recruitment and training program, are positioning Mott's for future growth.

Cohen's prognosis for the balance of fiscal '81: a continuation of the favorable trend.

Wetterau in red, but sees bright future

Missouri's Wetterau Inc. faced some red ink in the profit column for the first half of fiscal1982, suffering a loss of $420,000 for the period ended Sept. 26.

Company management blamed an "aggressive new marketing campaign" for pushing down profits, along with the cost of defending the company against the Empire takeover bid. After taxes, the effort cost $3,898,000.

A statement also pointed out that the takeover battle caused prospective customers to wait for the final result before making a commitment to Wetterau. However, it said, more than $33 million in new business has been added since the attempt failed, and at least $150 million should be added by the end of the fiscal year.

Supermarket Financial Scoreboard

Operation	Period	Date	Sales	% Inc./ Dec.	Net Income	% Inc./ Dec.	Net-to-sales ratio
Seaway Food Town	1 yr.	9/26	$ 428,510,000	20.0	$ 5,203,000	13.4	1.21
Village	1 yr.	7/25	269,000,000	9.7	1,350,000	2,150.0	0.50
Arden Group	9 mos.	10/3	389,000,000	5.1	3,555,000	(5.9)	0.91
Fleming Cos.	9 mos.	10/3	2,302,164,000	8.8	16,154,000	14.7	0.70
Giant	9 mos.	11/7	1,134,125,000	17.1	4,534,000	(43.4)	0.40
Mott's	9 mos.	10/3	215,856,459	13.0	3,327,615	54.1	1.54
Safeway	9 mos.	9/12	11,314,100,000	12.0	67,000,000	(13.5)	0.59
Wetterau	6 mos.	9/26	937,279,000	34.8	(420,000)	—	—
Allied	3 mos.	10/17	188,730,000	3.0	34,596,000	8,156.8	18.33
Niagara Frontier Services	3 mos.	9/26	153,402,359	14.0	1,926,209	(4.3)	1.25

Source: *Chain Store Age* Research

Figures in parentheses denote a loss

Shoppers spell St. Louis S-C-H-N-U-C-K's

At Foodtown, emphasis shifts to perishables

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Supermarkets

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SRI ACQUISITIONS
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WASHINGTON DC 20014

The combination store: Potent prescription in battle for market share

TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

Chain Store Age
Supermarkets

February 1982

Fresh Cal-Paper
Almonds
99¢

Foodtown's Mel Weitz has brought every imaginable fruit and vegetable to his Long Island shoppers—and they're eating it up ..... p. 18.

On the Cover

The combination store may be just what the industry ordered to combat shrinking margins and ever-fiercer competition. This in-depth look at the combo format examines why retailers are turning to this dual-personality format **22**

Luring shoppers into high-margin general merchandise **23**

Demographics dictate the "age of the combo store" **25**

Learning to accept the combo pharmacy as a profit center **26**

Raley's: what a difference a combo makes **29**

Pharmacy and the Government: plowing through a maze of regulations **31**

Special Report

Kroger and National may be battling for second place in St. Louis, but the No. 1 slot unquestionably belongs to Schnuck's. In the first of this year's six-part Consumer Attitude Survey, *CSA* finds out why this one chain rates such a landslide vote **36**

Industry News

Mel Weitz: master grocery merchant goes deep into perishables **18**

Cullum Cos.' Tom Thumb division learns there's more to a combo than just knocking down walls **32**

Merchandising News

Candy and gum: smart marketing—and the American sweet tooth—are boosting sales **45**

Granola bars: the "snack with the natural ingredients" has really caught on **48**

Tobacco: competition flares as cigarette sales heat up again **51**

GM/H&BA Extra: what—and who—is new in nonfoods **55**

Departments

Viewpoint
by Larry Schaeffer 5
Express Checkout 9
Super People 16
GM Report
by Allen "Bud" Levis 58
Equipment Focus 60
What's New 62
Capital Report 67
Business News 68
L-F Econocycle
by Charles Diamond 70

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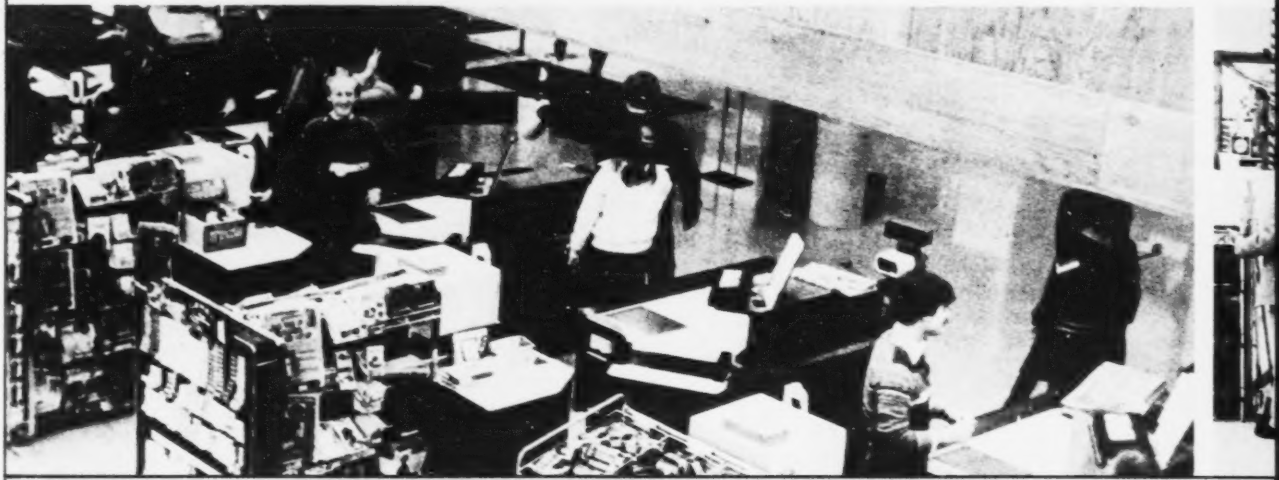
How the 'average' combo store shapes up



Size:	42,000 sq. ft.
Number of employees:	137
For food:	115
For GM/H&BA:	22
Part-time:	62
Number of checkouts:	12.5
With restaurants:	6%
Volume per store:	$15.2 million

Number of items carried:	25,650
H&BA:	5,700
GM:	5,800
Food:	14,150
Average customer transaction:	$16
Gross margin (overall):	22.4%
Pretax profit:	3.3%

Time needed to turn profit:	1.4 years
Time required to reach projected sales profit:	4 years
Number of business hours:	18.3 per day
Number of operating days per week:	7
Pharmacy	
Per cent of total store sales:	2.4%
Number of employees:	3.1
Number of operating hours:	10.1 per day

These figures do not represent the operating statistics for any one specific combination store. They are average figures provided by chains currently operating combination food and drug units.

nonfoods that fit within the chain's overall image.

Marsh Supermarkets, which operates eight combo stores in Indiana and Ohio, with two more planned for the coming year, is another case in point. The chain flourished with its conventional supermarkets largely be creating a low-price image. But when the Marsh Combination store was born in 1977, nonfoods weren't merchandised with the same competitive fierceness.

Following a management reorganization a year and a half ago that centralized the food and drug operations, Marsh changed gears to combat a disappointing performance in its combo stores. The units were renamed Marsh-Xtra, and as George Caster, director of combination store marketing, explains, "We've taken the approach of discounting GM and H&BA items. Lowering the prices hurts, but I feel we had to improve our price image. Marsh has always been a leader in this area, and the combo store has to be a part of that."

Marsh is also trying to sell the idea that it has low prices by heavily discounting certain items. Says Caster, "I bought Hoover vacuum cleaners that we're selling for $10 less than anybody else. We're not making any money, but the customer knows what this vacuum cleaner is worth. It reinforces the fact we have a price image."

So far, the results have been mixed. "We've had four or five years with much higher prices on drugs," says Caster, referring not only to Marsh Combination stores but also to the Marsh drug stores that have recently been sold, "and we've only been discounting since May. It takes time to sell the idea."

Retailers are turning to combo format to bolster profit margins dipping below 1%

Price considerations take another form, equally as crucial, in combo store strategy.

There are two differing schools of thought today on the inclusion of high-ticket general merchandise.

On one hand, you have operators like Hinky Dinky who contend that once you get over $100 for an item, you're not going to get much action in a supermarket. Explains Hinky Dinky's Gene Sharp, "We feel people will come into our stores and buy an Instamatic camera. If it doesn't work after a couple of months, they'll throw it away. But they're not going to be comfortable buying an expensive 35mm camera from us."

Much in the same way a conventional supermarket will carry certain low-turning specialty food items, "We carry a lot of general merchandise that doesn't pay the bills, but we carry it anyway to demonstrate that this truly is one-stop-shopping," adds Sharp.

The exception to this strategy is when Hinky Dinky has an item the customer can recognize as a genuine value. "Then we're willing to gamble," says Sharp. "She will have confidence in a name brand, and knows she can bring it back and get satisfaction if something's wrong. At that point, if the price is right, the negative tradeoff of buying that item in one of our stores isn't that great."

But what is an exception for a chain like Hinky Dinky is the rule for many others. For combo operators like Albertsons and Alpha Beta, high-ticket items are an integral part of their combo philosophy.

At Alpha Beta's recently opened 58,000-sq.-ft. combo store in San Diego, the chain's first venture in this format in California, the service department is loaded with color televisions priced around $400, watches at $300 and a vast

Nonfoods

Selling space (% to total):	33%
Number of items carried (GM & H&BA):	11,500
Per cent of total store sales:	20%
Per cent of total store profit:	35%
Breakeven point for GM/H&BA sales contribution:	20%
Desired GM/H&BA sales contribution:	23%

Source: The Allen Levis Organization and Condé Nast Publications

array of expensive stereo and video equipment. Housewares feature top-of-the-line food processors, and in hardware there are expensive power tools.

A price comparison with local discounters reveals, however, that the chain is banking on the convenience of one-stop-shopping to generate sales. And, like Hinky Dinky, Alpha Beta is relying on brand names to sell high-priced items.

Albertsons, a veteran of combo retailing, also offers numerous high-priced general merchandise items. But in its new 60,000-sq.-ft. unit in Omaha, the first of three, it is tempering its costs—and tinkering with standard combo design—by merchandising many of its items warehouse-style, with cut-cases and no shelving in the gondolas.

Unquestionably, many operators have flourished with a high-ticket strategy. But perhaps as a precursor of the direction combination stores will take, industry sources in San Diego report the Alpha Beta store is falling more than $100,000 short of projected weekly sales of $400,000, and there are indications that the Albertsons in Omaha is failing to meet its goals as well.

A veteran industry analyst comments, "Chains getting into high-ticket merchandise may have trouble because they're not looking at the psychology of the customer.

"The higher the price of a nonfoods item, the higher the value to the customer. She won't go wild over 4¢ more for a tube of toothpaste, she'll make the purchase because of the convenience. But as you inch up in price, the customer looks more and more at the numbers, and suddenly the convenience isn't as important. You have to be extremely competitive, and sometimes it isn't worth it. Remember, nobody buys a $200 watch on impulse."

Still, many experienced retailers, like Jewel, Albertsons and Alpha Beta, are confident that as consumers become educated to the advantages of shopping for the full spectrum of products within their stores, high-ticket items will become high-profit, regular-selling merchandise. ☐

Fuel for the format

Many of the nation's major chains plan to open an average of 25 new combo stores by 1985, with a few anticipating adding over 100 by the same date.

This finding, resulting from an in-depth study undertaken by the Allen Levis Organization in conjunction with Condé Nast Publications, underscores the growing industry concern over shrinking margins in an increasingly competitive marketplace.

According to the report, the average combo receipt is nearly $16, a significant increase over the $12.10 spent on the typical supermarket trip. Combo retailers estimate that the time required for a unit to begin operating in the black is only 16 months, and the average annual store volume is approximately $300,000 weekly, or $15.2 million annually.

Encouraging numbers, though tempered slightly by the understanding that the combo is saddled with intrinsically high risks and expensive start-up and operational costs.

Nevertheless, there's been tremendous growth in the number of combination stores, and many chains believe the numbers revealed by the Levis/Condé Nast study are signposts pointing to an even more lucrative future.

The fuel behind combo store fever is the demographics and changing lifestyles of the 1980's.

Half of the female population over 16—some 43 million women—are now members of the nation's workforce. For combo retailers, they represent a vast pool of largely untapped combo shoppers simply because they don't have the time to drive around and selectively spend the dollars they are bringing home.

And with gasoline prices approaching a buck and a half a gallon, coupled with a growing sentiment of energy conservation, consumers have neither the finances nor the desire to spread out their shopping.

In addition, much of today's discretionary income comes from that bulge in the population growth curve, the baby boom generation. Out of the free-spirited 60's and self-indulgent 70's, they bring with them a view of free time as a valuable commodity better spent in recreation than in traveling to a number of stores to make their necessary purchases.

"The modern consumer is on the move and pressed for time," says one combination store executive, "and we believe they are the generation of one-stop shoppers who will make the combo the store of the future." ☐

—Paul Taublieb

***Future of** the combo hinges on drawing the working woman of the 80's.*

Pharmacy as profit center?

PHARMACY
christm
party cen

At Albertsons' *Folsom, Calif., superstore, alcove pharmacy gets up-front position.*

The pharmacy may no longer be a stranger to supermarkets, due mainly to a proliferation of combo food and drug stores, but it has yet to be accepted as a profit center. In fact, supermarket execs regard it as a necessary loss-leader.

The reason: Pharmacy abrogates two major commandments of the supermarket's bill of profits: low labor costs and high volume.

As one California exec explains, "A typical pharmacy in a combo fills 500 prescriptions a week at an average price of $7.50. At 30% gross margin, gross profit is $2.25 per script, or $1,125 for 500.

"A union pharmacist gets $16 an hour, or $640 for 40 hours. Thus, it's $1,280 for two pharmacists. So even without a clerk, you are already $155 in the hole—and that doesn't include fringe benefits or pro-rated costs of occupancy, utilities, taxes and liability insurance.

"In addition, you have to wait 30 to 90 days to get reimbursed for third-party scripts." (Someone other than the patient—usually an insurance carrier or Government agency—pays for all or part of the prescription on third party.)

Pharmacy labor costs in nonunion departments are lower ($950-$1,000 in the Midwest, $1,060-$1,100 in Texas). Nevertheless, it's still a deficit operation when other costs are included.

Then what's the keystone to profitability? Double the number of prescriptions.

But that's easier said than done since pharmacy is an alien presence in the combo, and it takes anywhere from two to three years to convert food customers to Rx customers.

Quick facts on combo pharmacies

Size of pharmacy: 250-750 sq. ft.
Cost of inventory: $20,000-$25,000
Cost of fixtures and equipment: $8,000-$12,000
Average script price: $7.50-$8
Number of scripts required to break even: 80-100 per day
Gross margins: 25%-32%

Source: CSA Research

The do's and don'ts are anything but clear-cut.

Location, for example. Many pharmacies are in the rear. "That alone extends the break-even period beyond three years," says another exec. "Get pharmacy up front so food shoppers know you have it."

But many supermarket people prefer high-profit liquor and bakery up front. As a result, some chains are settling for up-front proximity. Albertsons, for example, puts pharmacy next to liquor on a front sidewall; Hinky Dinky, right after the stereo-camera service counter to the right of the entrance; Tom Thumb-Page, in a front corner opposite deli-bakery.

Another area of disagreement is dollars-off coupons as a traffic booster. Combo operators have tried $1, $2, $3 and even $5 off new or transferred prescriptions.

One chain limits coupons to $2 because, says the pharmacy director, "combos have a wider trading area than drug stores. Therefore, competition isn't as fierce." Says another, "Five dollars is the most effective but we don't want to prostitute pharmacy."

Some combos offer dollars-off coupons only at grand openings. In its new combo near San Diego, Alpha Beta offered one $2 coupon for each of the first three weeks of the opening.

"Coupons are like auto rebates," says Leroy Treadway, pharmacy director for Page Drug. "The more they're used, the less effective they become."

Hinky Dinky also offers free food items in lieu of coupons. Says pharmacy merchandising director Ted Schneiderwind, "If a competitor matches our coupons—and we've found $3 to be best—then we'll offer a free pound of coffee, or a free gallon of milk."

If pharmacy is so rife with pitfalls, why are supermarket people rushing in? (Safeway, for example, now operates 198 pharmacies, and should have 300 sometime in 1982). Because it's an integral part of the one-stop-shop philosophy.

Pharmacy's payoff, however, is not prescriptions, but H&BA items. Says John H. Prinster, vice president and director of marketing for Safeway, "The sale of H&BA quadruples in stores with pharmacies."

Although a limited number of combo pharmacies have installed computerized terminals (electronic point-of-sale devices), and others are testing, universal use is still 5-10 years down the road. "Our first priority," says a supermarket pharmacy supervisor, "is to work the bugs out of day-to-day operations."

To speed lag time in building prescription volume, some combo operators are buying out independent drug stores so they can utilize their prescription files. Some chains stipulate that the independent owner

Pharmacy as a profit center

must work for the chain to maintain continuity of service with his former customers. Many owners don't need to be convinced—they can make more per hour working for the chain.

And not only independents are fair game—so are chains that close shop or drop pharmacy departments. In Dallas, Safeway bought one of Target's prescription files, and Page Drug did the same on Treasury.

Another way to shorten lead time is to detail doctors—in person or by mail. Some chains, such as Page, do both.

"In our letter to doctors," says Hinky Dinky's Schneiderwind, "we let doctors know we have a direct line for their convenience." ☐

What a difference a combo makes

PRESCRIPTIONS
LOW, LOW PRESCRIPTION PRICES

Raley's multitiered pricing program begins with prescription prices well below industry average in order to build volume.

Raley's operates 13 stores in the Sacramento Metropolitan area; Lucky, 19. Why, then, does Raley's run a dead heat with Lucky for market share with 22%?

The equalizer: two decades of experience with combos.

Eight years ago, Raley's supermarkets adjoined Raley's drug stores, separated by a wall. The chain knocked down the wall—and presto, the food/drug combo became a reality.

Today Raley's operates 48 combos in California and Nevada. The new combos are 60,000 sq. ft. (up from 55,000), with pharmacy occupying 700 sq. ft.

Raley's views drug stores and discount department stores as its primary competition. And there are no soft touches in Sacramento. Long's and Payless Drug have the highest per-store volume of any drug chains in the country—and Gemco isn't exactly hard up for customers, either.

To reach the profit plateau within a reasonable time frame, Raley's has set up a multitiered pricing program for new stores.

"When we open a pharmacy," says Frank McMinn, vice president of merchandising, "we price prescriptions substantially below the industry average. We hold at that level for many months to build volume. Then gradually we increase margins."

Raley's uses a half-dozen escalating pricing steps. If it's a fiercely contested area, prices move up in progressive steps.

Raley's promotes pharmacy on TV, radio and drop-in newspaper ads, which emphasize low prescription prices.

Dollars-off coupons are not used—not after what happened in Carson City in 1976.

"Skaggs opened a new drug store," McMinn recalls, "and offered to fill any new script for $1. Not $1 off—but $1 for the *prescription*. We jumped right in and offered the same. And you know what? We redeemed only 30 coupons."

Raley's pharmacies are located on the rear wall for storewide traffic penetration.

"Those plus-sales are important," says a long-time Raley's pharmacist. "So when a customer brings in a script, I tell her, 'Give me 10 or 15 minutes' even though I can fill it in two minutes if I'm not busy. I do that to give her a chance to browse for other H&BA."

Raley's uses the front of its prescription counter to display private label toiletries and vitamins. The chain won't reveal how much private label it sells, but one source says, "It surpasses cosmetics—and in a lot less space."

Despite the success of Raley's pharmacies, McMinn admits that it's not one of the most profitable departments. "It takes years for the consumer to gain confidence because most consumers still prefer a drug store. That's because supermarket people lack the ethical feeling, and they fail to convey a strong drug image and a strong pharmacy image." ☐

CSA Survey:

Shoppers spell

It's really quite amazing.

The St. Louis supermarket industry has seen its share of upheaval in the past few years. Warehouse stores, for example, have made a few waves, gaining a small but important foothold. And just a little over a year ago National, one of the three main powers in town, added fuel to the competitive fires by dropping trading stamps and switching to a price-oriented approach.

Yet despite the market activity, more than one out of every two shoppers—52.3%—interviewed in the latest installment of the *Chain Store Age* Consumer Attitude Survey name Schnuck's as their favorite supermarket.

What makes Schnuck's so popular? It's fair to say chain management keeps its finger on St. Louis' pulse—and reacts to what it learns. The evidence to support this conclusion is clear and overwhelming: Schnuck's is rated the No. 1 chain in all 13 categories used to measure customer satisfaction.

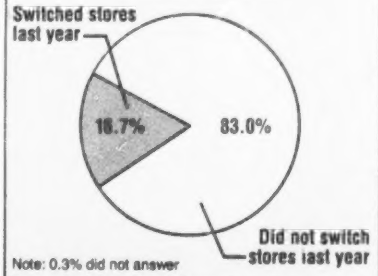
The other two major factors in the market, National and Kroger, fought it out for the No. 2 spot. National managed to move ahead by just one percentage point, with 19.3% of respondents calling it their favorite super, while 18.3% gave Kroger the nod. These figures are very close to their estimated market share; Schnuck's did, however, far better than its approximate 23% share of market.

Still, the study finds that the St. Louis market is not without opportunities. Shoppers are loyal, but not blindly so. A total of 16.7% of those interviewed said they switched stores last year.

The most popular reason by far for changing stores was finding one with lower prices. Nearly a third of those who now patronize a different store say the prices stamped on the merchandise provided the impetus for the shift.

The most price-conscious St. Louisans are under 35. A whopping 57.9% of them choose a new store for financial reasons. And the affluent appear to be the most economical—42.9% of those making $30,000 a year or more said good-bye to their old store in favor of one with lower prices.

St. Louis shoppers loyal—within reason



Note: 0.3% did not answer
Source: Lebhar-Friedman Research

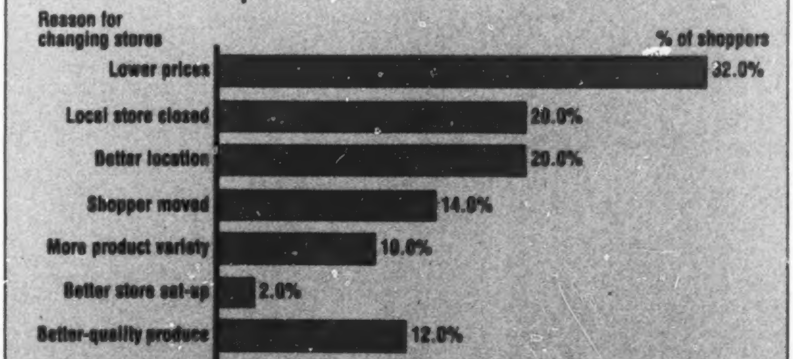
Other common reasons for switching supers include the closing of the shopper's previous favorite unit. One in five of those interviewed were forced to change stores because their former supermarket shut its doors.

Another 20% chose to switch to a super closer to home. This may reflect a desire to save time or gasoline, or simply the opening of a new outlet.

An additional 14% say they abandoned their old regular because they themselves moved.

Not surprisingly, the market leader also suffered the most defectors. Nearly a third of those who changed stores in the past year say they formerly shopped at Schnuck's. The better educated —40%

Prices persuade consumers to switch



Note: Will not add to 100% due to multiple mentions
Source: Lebhar-Friedman Research

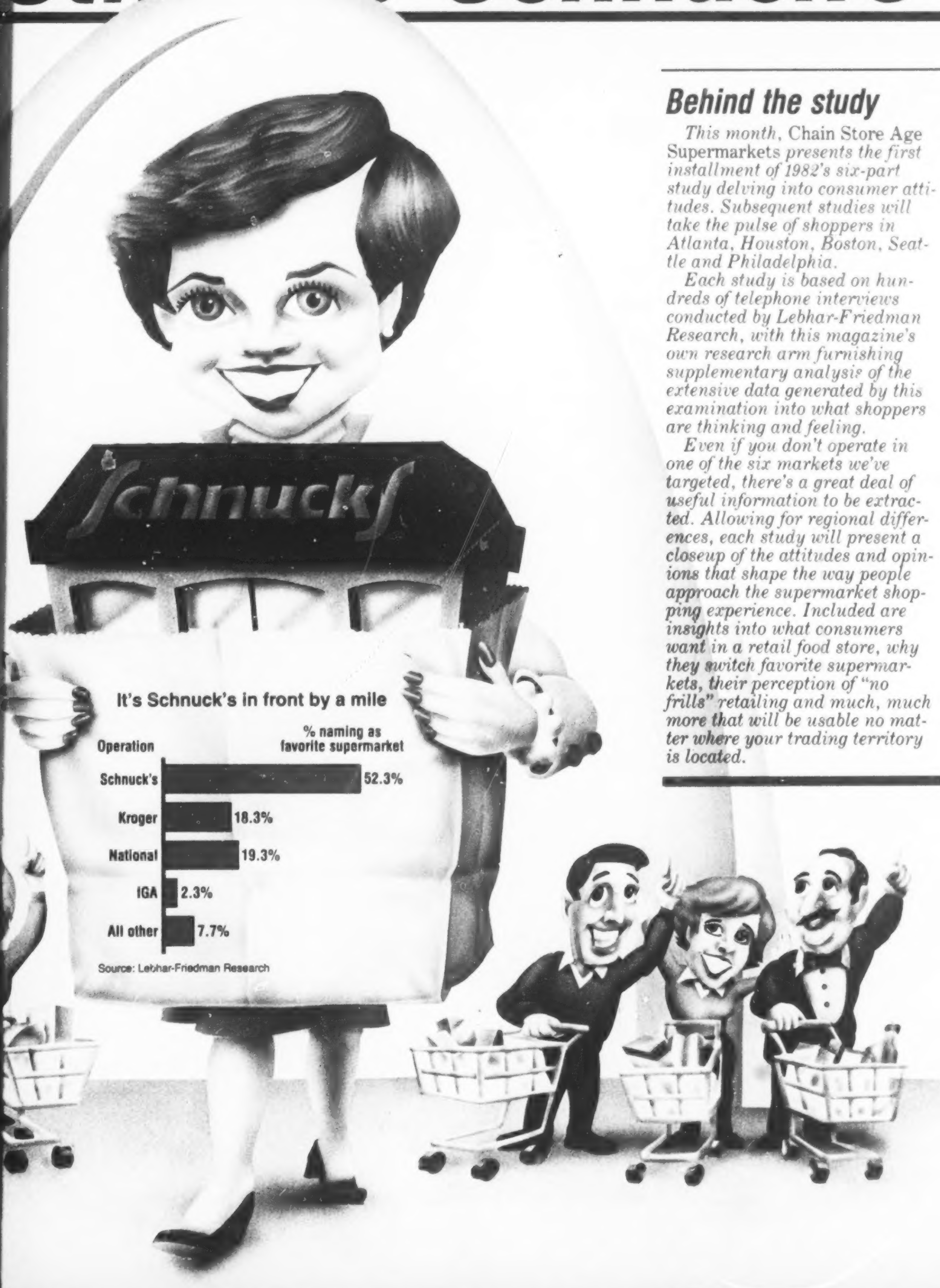
St. Louis 'Schnuck's'

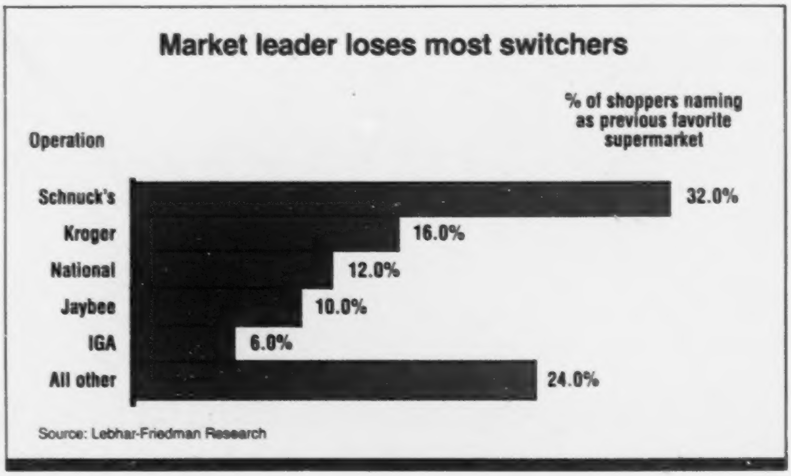
Behind the study

This month, Chain Store Age Supermarkets *presents the first installment of 1982's six-part study delving into consumer attitudes. Subsequent studies will take the pulse of shoppers in Atlanta, Houston, Boston, Seattle and Philadelphia.*

Each study is based on hundreds of telephone interviews conducted by Lebhar-Friedman Research, with this magazine's own research arm furnishing supplementary analysis of the extensive data generated by this examination into what shoppers are thinking and feeling.

Even if you don't operate in one of the six markets we've targeted, there's a great deal of useful information to be extracted. Allowing for regional differences, each study will present a closeup of the attitudes and opinions that shape the way people approach the supermarket shopping experience. Included are insights into what consumers want in a retail food store, why they switch favorite supermarkets, their perception of "no frills" retailing and much, much more that will be usable no matter where your trading territory is located.


Schnucks
It's Schnuck's in front by a mile
Operation
% naming as favorite supermarket
Schnuck's
52.3%
Kroger
18.3%
National
19.3%
IGA
2.3%
All other
7.7%
Source: Lebhar-Friedman Research



Market leader loses most switchers

Source: Lebhar-Friedman Research

of those with college backgrounds—were among the most frequent Schnuck's deserters. Those who fall in the middle both financially and in age were among the most prevalent former Schnuck's shoppers. Of those 35-54, 40% say they bid Schnuck's farewell; almost as many, 39.1%, of St. Louisans making between $15,000 and $30,000 used to patronize Schnuck's.

Kroger lost 16% of the switchers, with most of these making less than $15,000 a year (25%) and holding down a job (26.3%). Single shoppers seem to be turning up their noses at National; 30.8% of the unmarried no longer spend their money there.

It's hard to say with any certainty what's ahead for the St. Louis market. Schnuck's isn't taking its deeply carved niche for granted by any means; the chain completed a three-year warehousing renovation program last summer that should make it even more efficient.

Another event of last summer that may have repercussions not yet felt was the four-year contract Schnuck's, Kroger and National signed with Meatcutters Local 88.

While it allowed the introduction of boxed beef, it was also extremely costly. Whether fussy St. Louisans will take to the boxed product and what the effect will be on profits is yet to be seen.

What's more, the separate contract with warehouse stores, which currently don't carry meat, just came due at the end of last month. The no frills stores could choose to go the boxed route even at the higher cost—if they do, that could cause a lot of ripples in the conventional supers.

One thing remains certain: Schnuck's is the chain to catch. ☐

Kroger, National battle for second place

Saying that Schnuck's knows how to keep St. Louisans happy may just be the understatement of the year. The hometown chain finished first in every single category of shopper satisfaction, a feat unequalled in any of the six previous *CSA* Consumer Attitude Studies.

An incredible 52.3% of those surveyed name Schnuck's as their favorite supermarket. Kroger and National trail considerably, with National edging out the Cincinnati giant 19.3% to 18.3%.

Schnuck's scores well with every group surveyed. It does somewhat better with women than with men, though; as a matter of fact, its rating with the males responding is the lowest of any subcategory at 42.0%. That's certainly nothing to sneeze at, but women rate Schnuck's highest with 57.5%.

The argument can't be made that St. Louisans haven't tried other supers, either. Nearly three-quarters of the respondents, 74.3%, say they've shopped at Kroger, while nearly as many, 71.7%, have been in a National.

Schnuck's also ranks No. 1 in getting consumers to try it: A mind-boggling 94.0% have passed through Schnuck's registers.

In the battle for the No. 2 position, National managed to surpass Kroger in terms of customer satisfaction. The Illinois-based chain finished second to Schnuck's in eight of 13 categories, including quality meat, called extremely important by more than half (50.3%) of those surveyed and either extremely or very important by 91.0%. Kroger came in fourth in this category, passed over for the No. 3 spot

Schnuck's rates No. 1 in *all* categories
(ranking in order of shopper satisfaction)

	Schnuck's	Kroger	National	IGA
Fast checkout	1	3	2	4
Helpful workers	1	3	4	2
Convenient location	1	3	2	4
Cleanliness & setup	1	3	2	4
Low everyday prices	1	2	3	4
Ad specials	1	3	2	4
Variety & quality of private label	1	3	2	4
Variety & quality of national brands	1	3	2	4
Variety & quality of generics	1	2	3	4
Quality meat	1	4	2	3
Quality produce	1	3	2	4
Selection of general merchandise	1	2	3	4
Selection of H&BA	1	2	3	4
Average ranking	1	3	2	4

Source: Lebhar-Friedman Research

CSA Survey: St. Louis

Perishables top-drawing factor

	Extremely important	Very important	Somewhat important	Not at all important	No answer
Fast checkout	24.7%	45.7%	19.0%	1.3%	0.3%
Helpful workers	15.3	58.3	19.3	1.0	0.3
Cleanliness	30.7	60.3	7.3	0.3	—
Convenient locations	25.0	57.0	12.0	0.7	1.0
Low everyday prices	32.0	53.0	10.3	1.3	1.0
Ad specials	14.7	54.0	19.3	3.0	1.3
Variety & quality of private label	15.7	54.0	21.3	2.3	0.3
Variety & quality of national brands	10.0	54.0	24.0	2.3	0.7
Variety & quality of generics	5.7	28.7	26.3	16.7	1.7
Quality meat	50.3	40.7	2.7	1.3	0.3
Quality produce	44.0	49.3	3.7	0.3	0.7
Wide selection of general merchandise	10.7	42.7	19.3	10.0	—
Wide selection of H&BA	4.3	21.7	20.3	23.7	—

Source: Lebhar-Friedman Research

in favor of IGA stores.

National also ranked second in another category vital to most St. Louisans: produce. More than nine out of 10 respondents, 93.3%, call quality and variety of produce extremely or very important.

Interestingly, Kroger managed to grab the No. 2 spot in low everyday prices, despite National's intensive price campaign, now more than a year old. Although only 32.0% of the respondents call low everyday prices extremely important, the number jumps to 85.0% with the inclusion of those who deem it very important.

Kroger also beat out National and IGA in variety and quality of generics, selection of general merchandise and selection of H&BA.

Unfortunately for the chain, though, St. Louisans don't feel these categories are very important. Slightly more than half, 53.4%, look for GM where they do their food shopping. Only 34.4% are generics-oriented, and a paltry 26.0% worry about the selection of health and beauty aids.

On the other end of the spectrum, 16.7% say generics aren't at all important to them, 10.0% say the same about GM, and more than one in five—23.7%—couldn't care less about H&BA.

These figures indicate that Kroger might rethink its merchandising strategy in the city by the Mississippi. St. Louisans are aware that Kroger has certain strengths—they just don't much care. ☐

Consumers check out with lowest tab

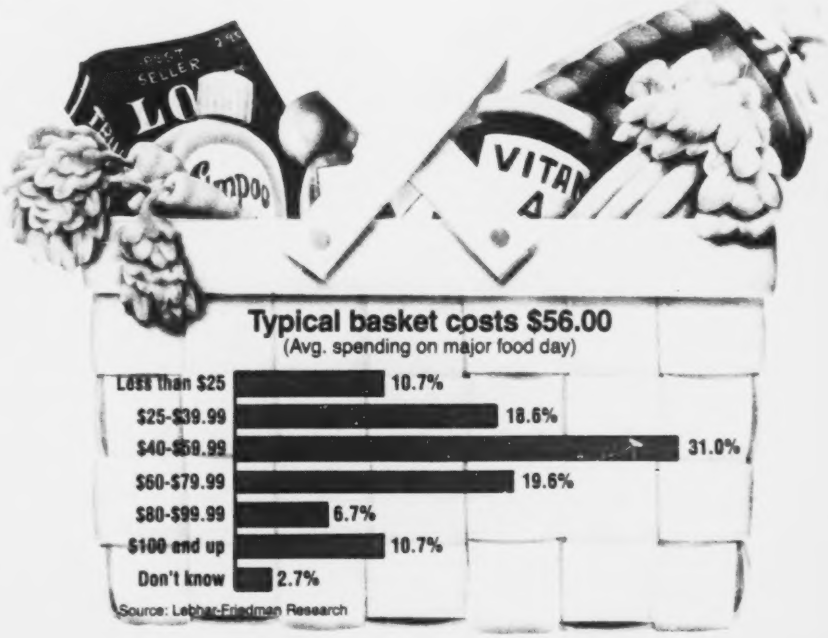
St. Louis shoppers look to be the big beneficiaries of the recent price wars in their area. The average market basket costs just $56, the lowest total found so far in *CSA*'s major market studies.

It's not that St. Louisans shop much more often than the residents of other large cities. A majority of those surveyed, 69.3%, claim to do their major marketing in one trip per week.

Only about one in 10 are big spenders, plunking down $100 or more at the checkout on their major shopping day. Kroger attracts more of these customers than the other two market leaders, with 22.7% of its shoppers falling into that category. National fares least well with the high rollers; only 8.6% of its customers spend that much.

Still, only 3.7% of shoppers say they're spending less than they did a year ago. A small percentage, 14%, are holding the line, while a whopping 82% say their register tapes show a higher total than a year ago.

Most St. Louisans like to get



Typical basket costs $56.00
(Avg. spending on major food day)

Source: Lebhar-Friedman Research

their food shopping done at the end of the week. Thursday, Friday and Saturday vie for the most popular day, with 18%, 19.3% and 15%, respectively, of those surveyed filling their baskets on those days.

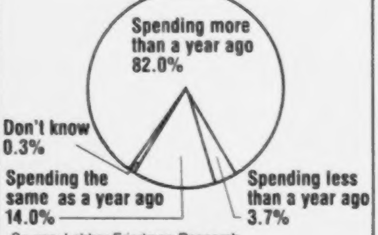
Nearly a third, 30%, report they have no special day when they stock up on food. Tuesday must be the loneliest day of the week for supermarketers in St. Louis—a paltry 1.7% say they shop that day.

Sunday is a day of toil for 3.7% of respondents, who say they do their food shopping that day. Schnuck's does better on that day than average, with 5.1% of its shoppers appearing. Kroger sees just 1.8% of its regulars on Sunday.

Morning is the favored time of day for shopping, with 38.3% getting to the super before noon.

National is the one chain of the top three to deviate a bit from the average St. Louis daily pattern. The 65.5% of its shoppers who state a time of day preference are divided almost evenly between morning, noon to 5 p.m. and evening (5 p.m. to 10 p.m.). ☐

Shoppers say they're spending more



Source: Lebhar-Friedman Research

Lists, coupons are second nature

St. Louisans get ready for food shopping like generals prepare to do battle. Most charge into the supermarket armed with shopping lists, with manufacturers' coupons at the ready and a strategy determined by checking newspaper ads firmly in mind.

Coupons hold a slight edge as the most favored shopping guide. As a matter of fact, a healthy 73% of those surveyed always or frequently clip coupons. A total of 80% of female shoppers in St. Louis are cutting the manufacturers' papers, but that doesn't mean that men ignore them: 59% are usual users of the chits.

Not surprisingly, the unemployed pay more attention to coupons than those currently in the labor force, by 77.6% to 68.1%. But the most frequent users of all are those who devote the most time and energy to filling their larders. A whopping 80.7% of those surveyed who shop two or more stores for most of their purchases use the money-savers regularly, while only 63.4% of those who hit only one super do so.

Bonus couponing, however, ranks at the opposite end of the list in terms of rating attention, with 56.7% never noting whether any stores are multiplying the value of the chits.

Actually, it's surprising the number isn't higher, as St. Louis marketers have avoided that expensive promotional technique. Continuities and tape-saving plans are among the favored promos, with bonus couponing getting short shrift.

As befits residents of the city where Joseph Pulitzer founded his newspaper empire, St. Louisans pay careful attention to newspaper ads. Before setting out on a food shopping trip, 72.6% always or frequently check the paper.

Those careful shoppers who visit more than one store for major purchases get the highest mark in this department, with 80.8% of them scanning the paper regularly.

Those who might be expected to have less disposable income than the average shopper—consumers 55 and over, as well as St. Louisans earning less than $15,000 a year—are among the most frequent ad readers, at 78.3% and 76.6%, respectively. The other group that surely must be careful with its money, the unemployed, tie the older shoppers at 78.3%.

Some two-thirds of St. Louis shoppers also enter the store with shopping list in hand. A total of 66.4% always or frequently prepare for their trip with pencil and paper.

Once again, the unemployed lead the way, with 71.4% devoted listmakers. But among those receiving regular paychecks, as income rises, so does the tendency to make lists. More than two-thirds, 67.6%, of those making $30,000 or more do so.

TV and radio ads don't grab much attention in St. Louis. Nearly half of those surveyed say they never note them. However, the broadcast media seem to be making some inroads: 39.6% of those shoppers who do notice the radio and TV ads say their attention was caught only within the past year. ☐

—Charlene Komar Kunkel

Majority well-prepared for marketing

Activity	Always (4)	Frequently (3)	Sometimes (2)	Never (1)	Mean avg.
Make shopping list	50.7%	15.7%	16.0%	17.7%	2.99
Check newspaper store ads	56.3	16.3	13.3	14.0	3.15
Clip manufacturer coupons	53.7	19.3	17.3	9.7	3.17
Note radio & TV store ads*	16.7	8.7	26.0	48.0	1.94
Note stores offering bonus coupons**	15.3	7.0	20.0	56.7	1.81

Source: Lebhar-Friedman Research *0.7% did not answer **1.0% did not answer

A&P improves but still in red

A&P's profit figures for the first nine months of fiscal '81 show an improvement over 1980, but the bottom line is still recorded in red.

The loss for the period ended Nov. 28 was $28,685,000, some $10 million lower than in the same period a year before. Sales, however, were down from '80, at $5,092,218,000 as opposed to $5,099,173,000.

James Wood, chairman and ceo of the beleaguered company, found some encouragement in third-quarter figures, which he said reflected a letup in price wars prevalent in several areas earlier in the year.

The results don't include any provision for closed A&P and Plus units. As of the first of the year, A&P had disposed of some 160 stores.

Fleming-McLain deal complete

Fleming Cos. has completed the acquisition of McLain Grocery Co. The Oklahoma-based wholesaling giant issued approximately 885,000 shares of common stock, valued at about $22.5 million, in exchange for the outstanding shares of McLain.

Massillon, Ohio-based McLain's shareholders voted in favor of the transaction, which was handled as a pooling of interests, in December. The merger had previously been approved by both companies' boards.

McLain management will stay with the company, which now operates as a wholly owned subsidiary.

IGA
THE McLAIN GROCERY CO

McLain is a wholesale food distributor serving 140 IGA stores in Ohio, Pennsylvania and West Virginia.

American-Strevell files for Chapter XI

American-Strevell became the latest victim of the economy late last year. On Dec. 11, the Utah-based wholesaler filed a petition for Chapter XI to protect itself while reorganizing.

A week after filing, the board of directors elected chairman of the board Alfred B. Smith president. Smith replaces George J. Bitzes Jr. who resigned.

A company spokesman said plans are under way to "return the company to profitability." A creditors' committee has been elected, and Grisanti & Galef, a firm specializing in assisting companies in reorganizing, has been called in.

A statement said the company is "encouraged by the vast amount of support offered in the way of normal trade terms" by most suppliers.

As of Oct. 9, 1981, American-Strevell's unaudited statement showed assets of about $74,000,000 and liabilities of around $66,000,000. The company has wholesale operations in Missoula, Montana, Seattle, Wash., and Portland, Ore., as well as Salt Lake City.

Supers lackluster for Jewel Cos.

While overall sales and earnings for Jewel Cos. zoomed in the first nine months of fiscal 1981, figures for the Jewel Food Stores, Buttrey, Eisner and Star Markets weren't nearly so good.

Total sales hit $3,793,472,000, an improvement of 24.4% over the same period in '80. Net earnings jumped 103.6% to hit $68,014,000, but it should be noted that this figure includes a gain on sale of Aurrera, S. A. stock of $27,285,000.

The 344 supermarkets owned by Jewel Cos. registered a sales rise of only 1.4% in the third quarter ended Nov. 7, 1981. However, if the contribution of the Milwaukee stores that were sold are excluded from 1980 sales, the increase hits 3.1%.

Operating earnings for the supers improved by 8.3% over third-quarter 1980. The company blamed the results on economic pressures felt by consumers and the steep drop in the food price inflation rate.

The 159-store Jewel T Discount Grocery Store network continues to suffer losses.

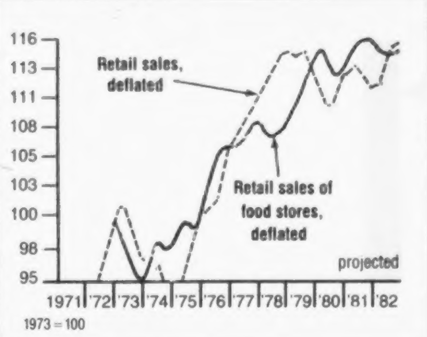
Supermarket Financial Scoreboard

Operation	Period	Date	Sales	% Inc./ dec.	Net income	% Inc./ dec.	Net-to-sales ratio
Albertsons	9 mos.	10/29	$2,500,000,000	14.00	$32,800,000	21.0	1.31
Arden Group	9 mos.	10/3	389,232,000	5.20	3,555,000	(5.9)	0.91
Fisher Foods	9 mos.	10/10	1,144,708,000	10.00	6,264,000	67.9	0.55
A&P	9 mos.	11/28	5,092,218,000	(0.14)	(28,685,000)	—	—
Hannaford Bros.	9 mos.	10/3	398,298,000	15.10	4,226,000	46.6	1.06
Jewel Cos.	9 mos.	11/7	3,793,472,000	24.40	68,014,000	103.6	1.79
Kroger	9 mos.	11/9	8,524,000,000	12.40	75,000,000	15.4	0.88
Penn Traffic	9 mos.	10/31	324,812,000	6.30	3,302,000	(31.3)	1.01
Pueblo International	9 mos.	10/31	331,031,000	18.60	1,329,000	32.8	0.40
Stop & Shop	9 mos.	11/7	1,600,000,000	10.70	4,600,000	557.1	0.29

Source: *Chain Store Age* Research

Figures in parentheses denote a loss

See food biz edging ahead of '81



Food stores

	Sales change by quarter								12-month % change		
	'81 1Q %	'81 2Q %	'81 3Q %	'81 4Q %	'82* 1Q %	'82* 2Q %	'82* 3Q %	'82* 4Q %	'80 %	'81 %	'82* %
Sales include inflation	10.5	10.7	9.5	8.3	8.1	8.1	8.6	9.5	10.8	9.7	8.6
Real sales (deflated)*	– 1.4	0.3	1.4	3.6	2.4	– 0.6	– 0.7	– 0.6	3.0	1.0	0.1

Base = 1981 sales
*Projected

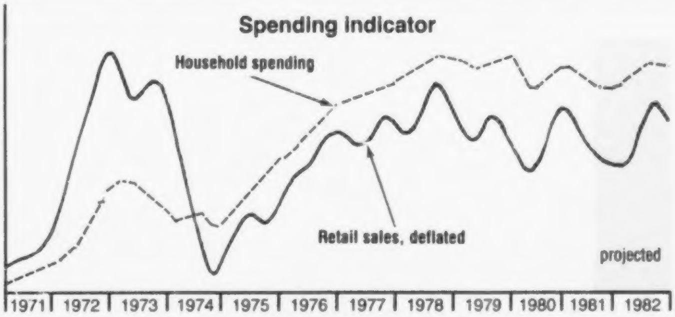
New year-end revisions in Government figures now indicate a significant fall-off in consumer spending power (chart below), which is expected to hold through the entire first quarter and reduce overall retail sales health and vitality into midyear.

Food stores and supermarket operators, however, can bank on matching their '81 results in the early going. Early Econocycle forecasts suggest that last year's rate-of-gain will slow and fall back slightly from late '81 levels (chart above). But, by year end, total food store sales will again top prior year volume nationwide.

The L/F Econocycle projection for supermarket/food retailers, in fact, reflects a strong first quarter. Sales next month should move up, too—by at least 1%, following gains of 2%-4% in January and February this year.

Total retail volume will decline roughly 2% this month (after several consecutive months of slippage dating back to last year's final quarter), but general sales are expected to nose up again in April—with assists from several other key sectors:

- Apparel specialists and department stores are among the few leading industries expected to post gains in the current quarter. In March, apparel outlets are programmed for a 2%-plus sales increase, for instance.
- Other leading retail sectors, such as drug and discount operators, will begin to brake recent slides and reverse current trendlines over the next two-month period.
- And in the related eat-out portion of retailing (food service, restaurants, fast-food outlets), the '82 comeback will pick up speed in the second quarter and really take hold in the second half, the L/F computer model indicates.



Sales/include inflation % change by quarter

		Total retail	Food	Eating & drinking	Building materials hardware	Drug	Furniture & appliance	Apparel	General merchandise	GAF
1981	1Q	8.9	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	13.6	10.7	11.4	15.2	10.3	9.0	8.7	12.5	10.9
	3Q	10.2	9.5	9.7	7.5	8.1	5.1	8.5	9.4	8.3
	4Q*	7.4	8.3	6.6	– 2.0	4.3	3.4	7.9	5.5	5.6
1982	1Q*	5.3	8.1	5.8	– 4.8	4.6	3.0	3.8	3.1	3.2
	2Q*	3.6	8.1	5.3	7.1	4.6	9.5	6.2	2.9	5.0
	3Q*	7.0	8.6	9.3	16.6	6.0	10.9	6.7	7.2	7.9
	4Q*	10.3	9.5	11.3	16.5	6.7	8.8	5.9	10.5	9.1
% change 12 mos.	1980	6.4	10.8	8.7	– 3.2	11.9	4.7	4.6	5.9	5.4
	1981	9.9	9.7	8.7	7.1	8.2	6.4	8.7	8.8	8.2
	1982*	6.6	8.6	7.9	8.5	5.5	8.0	5.6	5.9	6.3

Real sales (deflated)* % change by quarter

		Total retail	Food	Eating & drinking	Building materials hardware	Drug	Furniture & appliance	Apparel	General merchandise	GAF
1981	1Q	0.7	– 1.4	– 2.1	– 1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.6	0.3	2.1	6.0	0.3	3.0	4.5	5.8	4.9
	3Q	2.2	1.4	0.6	0.8	– 1.7	– 0.4	4.1	3.1	2.6
	4Q*	0.4	3.6	– 1.0	– 7.2	– 4.1	– 2.1	4.5	0.4	0.8
1982	1Q*	– 1.5	2.4	– 0.5	– 8.2	– 2.1	– 3.4	0.7	– 1.8	– 1.6
	2Q*	0.6	– 0.6	– 1.3	2.8	– 0.1	1.6	3.2	– 2.2	– 0.3
	3Q*	2.2	– 0.7	2.2	8.8	2.7	2.3	3.8	1.9	2.4
	4Q*	3.2	– 0.6	3.2	6.8	3.4	0.7	2.5	3.5	2.7
% change 12 mos.	1980	– 3.3	3.0	– 0.7	– 12.4	2.5	– 1.4	0.1	– 1.5	– 1.2
	1981	1.7	1.0	– 0.1	– 0.5	– 1.3	0.7	4.7	2.5	2.6
	1982*	1.1	0.1	0.9	2.2	1.0	0.3	2.6	0.3	0.8

Base = Nov. 1981 sales
*Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.

NAWGA, independents keep the pressure on

Superstore wholesaler fills the void in Philly

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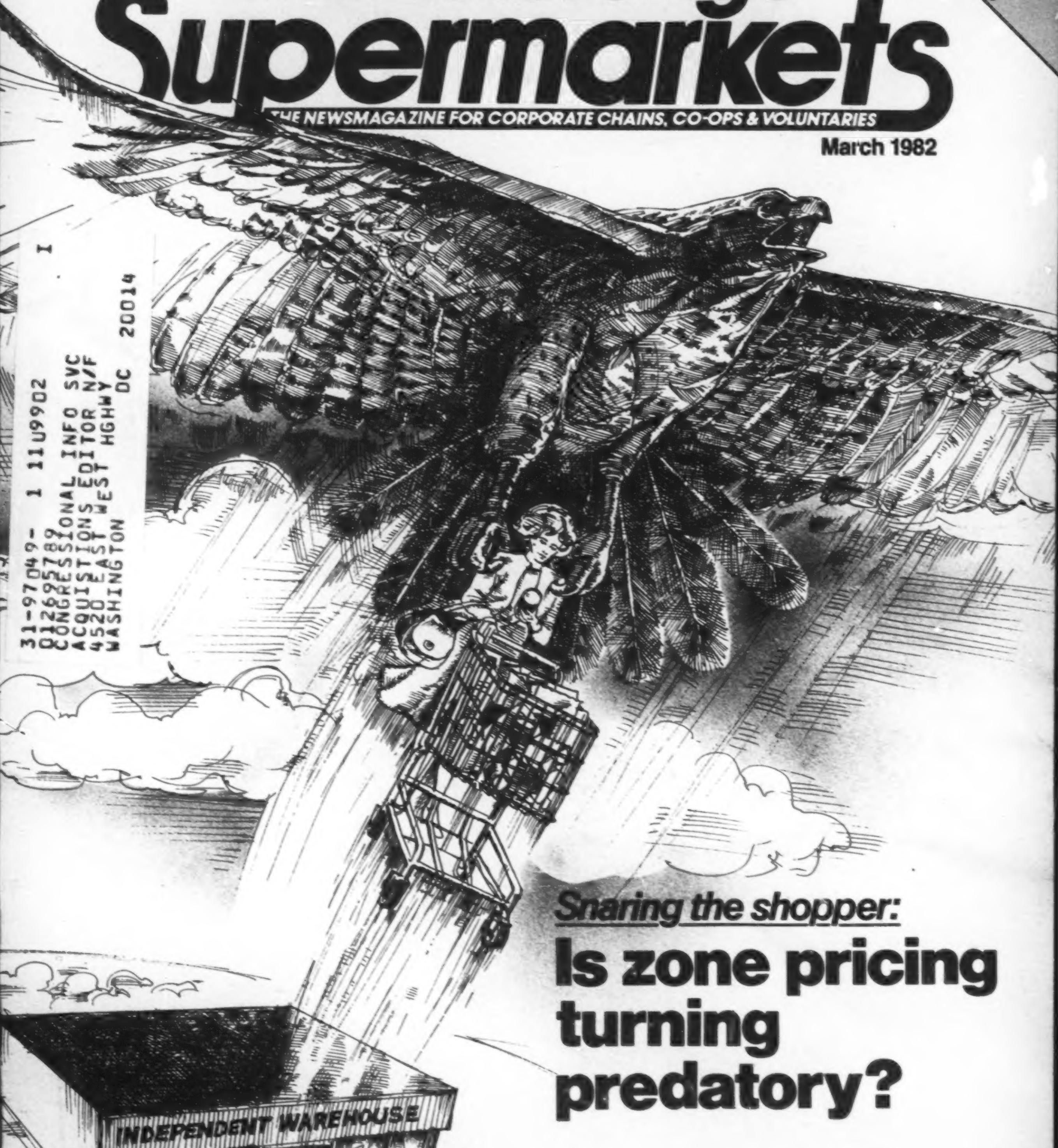
Produce '82: Chilled but healthy

Chain Store Age Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

March 1982



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Snaring the shopper:

Is zone pricing turning predatory?

TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

Chain Store Age
Supermarkets
March 1982

Despite unpredictability of supplies, produce continues to take the foreground in supermarket marketing plans .... *p. 42*

On the Cover

Many retailers said warehouse stores wouldn't last. The reason, say some independent warehouse operators, is that they're being sabotaged by the chains. Several suits have been filed. More are promised **16**

Special Report

CSA profiles seven independents across the country as they deal with these tough economic times **22**

Plowboys Market, Los Angeles, Calif. **23**

Roche Bros., Natick, Mass. **24**

Gromer's Supermarket, Elgin, Ill. **25**

Bill's Market, Daleville, Pa. **28**

Waremart Inc., Boise, Idaho **29**

SQS, Phoenix, Ariz. **30**

Shoppin' Bag, Westminster, Colo. **32**

Will chain scanning and the U.S. Government steal the independent's merchandising clout? **33**

Industry News

Pathmark heads for the Sunbelt—and Pantry Pride **15**

NAWGA '82: President Gerald Peck considers automation, unions and the economy **36**

Jack Twyman: New NAWGA chairman backs the expansionist trend **37**

Superstore wholesalers: Thriftway steps in where Philadelphia chains have bowed out **38**

Produce '82

A year of natural disasters can't keep supplies—or sales—down for very long **42**

"Produceland": Heartland gambles on a farmer's market within a warehouse store **45**

Merchandising News

GM/H&BA Extra: what—and who—is new in nonfoods **53**

Film & photo: developing a new image in supers **56**

Publications: outselling major GM lines from coast to coast **59**

Departments

Viewpoint
by Larry Schaeffer 5

Express Checkout 7

Produce Wrap-Up
by Jim Halloran 49

GM Report
by Allen "Bud" Levis 72

Equipment Focus 76

What's New 79

Scan Analysis 83

L-F Econocycle
by Charles Diamond 86

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Weather can't chill

Pick a disaster, any disaster. Floods, blizzards, heat waves, pestilence disease: If it hasn't affected some segment of the produce industry lately, well, just wait a day or two.

Between California's flies—Mediterranean and white—and Florida's freezes, and the Midwest's blizzards, it's been a tough season for salad lovers.

"Things are really the pits," sums up Jan Delyser of the Fresh Produce Council, a Los Angeles trade group of retailers and suppliers, "but we're gearing up for big spring crops." Certainly, things can't get any worse.

For produce merchandisers, charged with making their departments the most appetizing and colorful in the store, as well as giving the consumer a fresh value, the task this year has been no more difficult than peeling a grape with a chain saw.

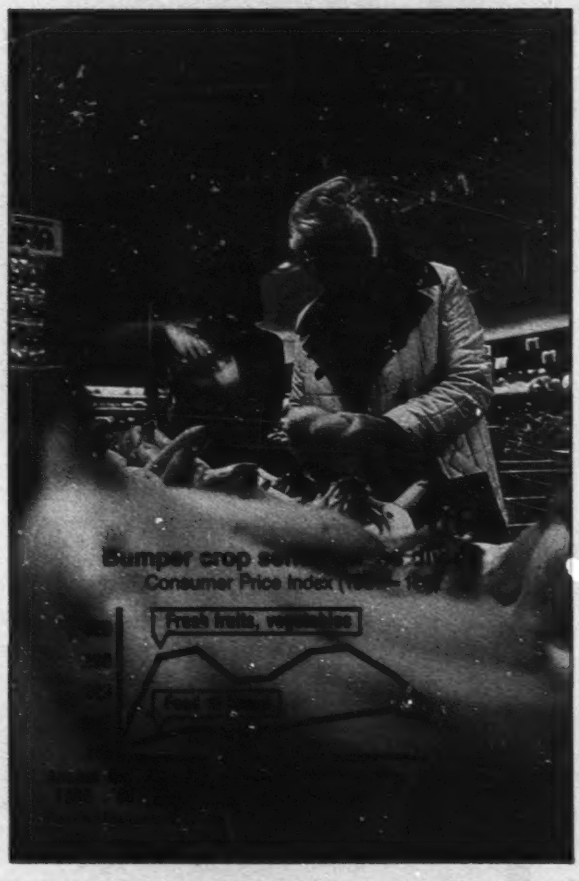
"No matter what you do, it's pretty hard to compensate for it," says John E. Grant, vice president for produce sales for Stop & Shop Cos., Boston. "It knocks the hell out of the produce tonnage."

The big freeze that struck Florida—weathermen were calling it the "Siberian Express"—wiped out 25% of the citrus crop and half the winter vegetables. Although damage was less than originally feared, it sent Eastern buyers like Grant scrambling west to Mexico and California to fill in some fairly large gaps.

But unlike last year, when both those areas were having banner growing seasons, California was not in a position to bail out the East. Farmers didn't plant as much to begin with, and heavy winter rains slowed production and hurt the quality of most crops.

"The higher prices and limited supplies have had a greater effect on us this season," says Dave Diver, produce director for Hannaford Bros., South Portland, Me. "Usually, you can get a deal on something—broccoli one week, and something else the next. This year there hasn't been a great amount of anything that's attractive to the consumer."

The situation is best typified by lettuce. Last year, large plantings and ideal growing conditions produced such a glut of iceberg lettuce that the wholesale price for a carton dropped as low as $2.50, far less than break-even for the growers.



To prevent a recurrence, the growers cut acreage by about 20% this year. In the meantime, the previous warm winter conspired to play host to the white fly, which in turn played havoc with the iceberg crop in the Imperial Valley of California.

The virus-carrying tropical pest trimmed lettuce yields and quality substantially, sending retails roaring past the $1-a-head mark—the point at which consumers start bailing out.

In fact, the high price prompted retailers to beat them to the punch, and many posted signs trying to unsell shoppers on iceberg lettuce. "We're trying to be more directive to the customer in helping them select the best product," says Perry Broussard, vice president for produce at Harris-Teeter Inc., Charlotte, N.C. "We told them lettuce has been poor in quality, high in price and suggest they try something else."

The citrus scene is facing a similar plight. With a quarter of the total crop lost, the problem is not as serious, but it means higher prices for replacements from Texas, Arizona and California. The freeze also put the clamps on a number of promotions; Florida's own citrus department was forced to put its campaign on hold for month.

And for chains like A&P, the bad weather forced a fast shuffling of the produce deck. The Tea Company had planned a repeat of its Citrus Variety Show promotion, which last year moved 400,000 cases of product, despite a freeze.

This year, however, varieties such as temples and honey tangerines were wiped out, and A&P was forced to cancel the promotion, according to Louis Kertesz, vice president for produce operations. A California navel promotion, however, was not affected.

But higher prices and poorer quality are not expected to stem the tide of increasing consumption of fresh produce. "We see people taking advantage of the real values," says Hannaford's Diver.

The numbers add considerable weight to Diver's observation. The Federal Economic Research Service (ERS) found that per capita consumption of potatoes increased

growth in produce

2.7 lb. in 1980 (the last complete year for which figures are available) to 54.2 lb.

Fresh vegetable consumption as a whole also increased, to 111 lb. per capita, up from 105.9 lb. The average citizen downed 27.4 lb. of lettuce in 1980, 13.4 lb. each of tomatoes and onions, and 3.6 lb. of peppers.

Fruit lovers also had their say in the matter, boosting per capita consumption of fresh fruit 4 lb. to 87.3 lb., according to ERS, including 20.8 lb. of bananas, 15.7 lb. of oranges and 16.7 lb. of apples.

Although the basics in produce still account for more than 70% of the category's business, the so-called "specialty" items are showing continuing strength. The ERS, under the heading "minor" vegetables, notes an increase in per capita consumption of more than 50% since 1978.

Much of that increase is a reflection of the step-up in promotional marketing given to these goods, to the point where they have become commodity items. "Persimmons, pomegranates, alfalfa sprouts—they're as common as spinach. They've all become volume," says Grant, "consistently important items. We sell them every day."

Many of these items found their way into the marketplace because of ethnic followings, and it is still the easiest promotion route. But the Chinese New Year is a one-shot event, and most produce merchandisers are putting more week-to-week emphasis on the products.

"We try regularly to promote these items," says Broussard, referring to hiccam, tomatales, napoli, bok choy and other specialties. "We talk about something unusual every week, and give our people background material." Employees themselves are encouraged to prepare and taste these items, so they in turn can give shoppers some idea of what is being offered.

Adds Broussard, "You've got to give them [consumers] some reason to try it, and some way to prepare it, and our program has tried to educate them." Ambitious programs like Harris-Teeter's are one of the reasons that the produce star continues to rise, and why, as Stop & Shop's president Lew Schaeneman told the Produce Marketing Association recently, "The produce market has never been more important to the success of the total store."

And it is the main reason that more of the store is being given over to produce. In cases such as Safeway's Farmer's Market and Purity Supreme's Heartland Produce Warehouse store (see page 45), the stores are being built around produce.

***Abundant variety** of conventional and specialty items at this King Soopers in Denver marks expanded role of produce as a traffic builder.*

Weather can't chill produce growth

Per capita consumption increases as much as 7% in 1980

	1977	1978	1979	1980
Oranges	13.4 lb.	13.5 lb.	12.4 lb.	15.7 lb.
Apples	17.0	15.8	17.0	16.7
Banana	18.3	20.2	21.1	20.8
Cherries	0.6	0.5	0.7	0.7
Grapes	3.1	3.0	3.6	4.0
Lettuce	25.1	26.6	25.9	27.4
Tomatoes	12.5	13.2	12.9	13.3
Corn	7.6	7.5	7.4	7.2
Broccoli	1.3	1.3	1.4	1.8

Source: Economic Research Service

In other cases, such as Melmarkets Inc.'s 5,000-sq.-ft. annex to its superstore in East Meadow, N.Y., the space has been expanded more than double the traditional size. Even in more conventional set-ups, the hard figures on produce—30%-plus margins and a 25% contribution to store net—have been enough to muscle away space from other departments.

"We're enlarging the department in new stores," says Broussard. "There's no question about it; there's more interest than ever."

That is not to say produce is not without its problems. High shrink and high labor costs remain difficult operational areas. But what merchandisers are more worried about is that produce may become the spoiler in what was to have been a year of modest increases in food prices. Although the worst is no doubt over, the growers are not out of the woods yet. The long freeze may have done serious damage to fruit trees and vines in northern truck-farming states.

Then again, that is a whole other disaster, and produce people have learned to take them one season at a time. ☐

At Heartland, produce is pure green

Purity Supreme president Leo Kahn has stepped into his biggest gamble since the opening of his Heartland warehouse stores in New England: the first farmer's market on the East Coast to be located within a warehouse store.

Produceland, as Kahn has dubbed it, is a 17,000-sq.-ft. extension of an existing 55,000-sq.-ft. unit featuring over 300 varieties of vegetables, fruits and spices, as well as nuts, plants, flowers, garden supplies and dried fruits.

The mix ranges from hundreds and hundreds of floor-stacked and warehouse-shelved cut cases of traditional produce to such market basket exotica as bok choy, napa, bean sprouts, daikon, rappini, mangoes, papayas, plantains, batata, calabazza, yautia and, imported Belgium endive.

"It's unlike anything I've ever seen before either in a warehouse store or a conventional supermarket," says one rival retailer. It may also be, he suggests, "*too* much variety, abundance and freshness."

That's something the Walpole, Mass., community will decide. But Kahn is betting he can convince this basically white, middle-class market that it's: fun to cook with fresh herbs; wise and nutritionally smart to snack on yogurt-flavored peanuts, and interesting and exotic to experiment with bok choy.

Nevertheless, sources familiar with the Produceland operation, opened Jan. 4, estimate that Kahn will have to do at least $30,000 a week in produce sales just to break even.

The freshest quality
You can get at the
lowest prices you can pay.
80 TO 59

Produceland's marketing formula: warehouse prices plus variety and quality.

And he will have to turn his approximately $40,000 produce inventory a minimum of three to four times a week just to keep waste and shrinkage at an acceptable 3%-4%.

But while it's too soon to say whether Kahn's gamble will pay off, the opening signs are promising. For each of the first two weeks after its opening, Produceland is estimated to have generated between $50,000 and $75,000 in sales, and helped to increase average store sales by about 20%.

Sources familiar with the Boston market figure that when the initial excitement wears off, sales will stabilize at about $50,000 a week—although it is possible that with Kahn's variety, produce sales may settle in even higher.

"With that variety, they might be able to do $80,000 a week," says Jim Halloran, president of Produce

Making book on publications

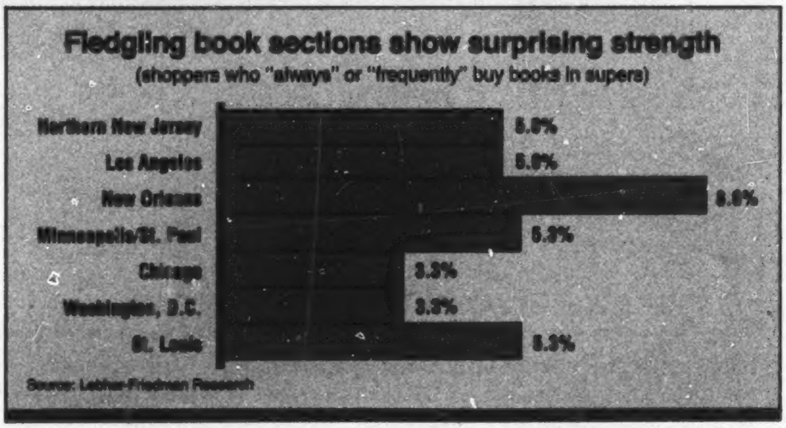
Nearly one-fifth of New Jersey supermarket shoppers, like these ShopRite customers, buy magazines while marketing.

Shoppers drop magazines and tabloids into their supermarket baskets more frequently than any other category of general merchandise.

That's a fact—a fact revealed by seven recent consumer surveys conducted by *Chain Store Age Supermarkets* of shoppers in northern New Jersey, Los Angeles, Chicago, New Orleans, Minneapolis-St. Paul, Washington, D.C and St. Louis. Magazines and tabloids outscore cosmetics, housewares, glassware/china, auto care, film and photo, small electricals and small apparel in frequency of purchase.

Only in one instance did another nonfood category outrank magazines and tabloids: In St. Louis small apparel nudged into the highest frequency score.

Books didn't match their sister publications' performance, but they did do surprisingly well. In four of the seven surveys, books scored higher than auto care; they outclassed housewares in three and tied in one. Books blew glassware/china out of the water, far surpassing the dinnerware in six markets and falling behind by only ³⁄₁₀ of a percentage point in the seventh.



Fledgling book sections show surprising strength

(shoppers who "always" or "frequently" buy books in supers)

Source: Lebhar-Friedman Research

There doesn't seem to be any correlation between geographic region and the popularity of publications in supers. On the East Coast, for example, New Jerseyites are regular purchasers—indeed, almost 1 in 5 (19.7%) say they always or frequently pick up their magazines along with their food. In the Washington, D.C., area, though, the figure drops to about one in 10. This may be because northern New Jersey, although densely populated, is essentially suburban, while the Washington market is anchored by a large city with a wider choice of outlets for magazine sales.

What's more, the city residents may not have been as exposed to publications in supers as suburbanites. This could also account for the low figures recorded in Chicago, where only 3.3% of those surveyed think of supers when buying books.

The trend could turn around, though, as more supers in large ur-

Making book on publications

ban areas devote increased space to publications. Safeway, for example, included a full-fledged bookstore in its Greenbelt, Md., unit. Its success has solidified plans to continue the practice in newer Safeway stores in the Washington area.

More exposure to books in supers may be hyping sales in St. Louis. A total of 5.3% of St. Louisans questioned say they often purchase books while food shopping. It's interesting to note that market leader Schnuck's devotes a healthy amount of space to publications in its superstores, and runner-up Kroger added a bookstore to one of its southwest St. Louis County units just last year.

Los Angeles, with its jumbo-sized stores, reported 5% of shoppers say they look to supers for books. A respectable 13% of Angelenos use supers as their primary outlets for magazines and tabloids.

New Orleans shoppers are the most devoted buyers of books in supermarkets: As magazine buyers, they're second only to New Jerseyites. An impressive 8.6% of Delta City consumers surveyed say they always or frequently buy books in supers, and 18.3% said the same about magazines.

That fits in with the one-stop shopping concept. Two out of three New Orleans residents are ardent devotees of one-stop shopping, as the success of Schwegmann's, with its "everything under one roof" philosophy, underlines.

Twin City residents also find buying publications in supers attractive: A healthy 5.3% regularly shop for books in supermarkets, while 15.3% plunk down their magazine money at a super's checkout.

Demographically, perhaps the most interesting tale in the publications arena is told in the book section. In four of the seven market areas, those shoppers with a high school education or less buy a larger proportion of books in supers. Three markets report higher figures among those who earn $15,000 or less, and three of the remaining four say the highest proportion is among those pulling in $15,000-$30,000 a year.

These figures show it isn't the very affluent or well-educated who are buying books in supers. The numbers appear to support the view that supers are not competing with bookstores, but appealing to a whole new audience, since one would expect a greater familiarity with bookstores among the better-educated and well-to-do.

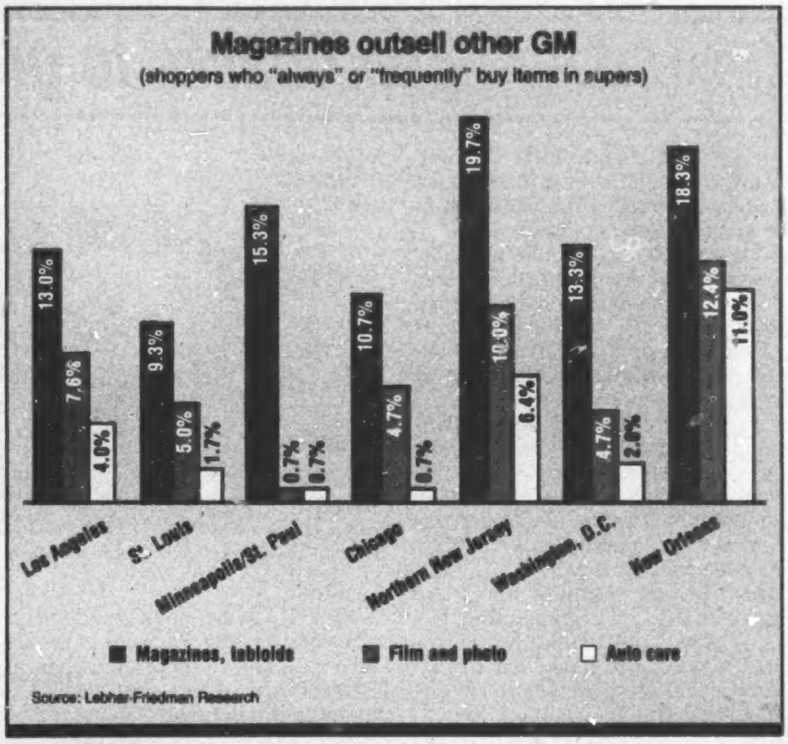
In sales of periodicals, purchasers are spread fairly evenly across the board in terms of both education and income. The common denominator is youth. In six of the seven studies, there was a markedly higher proportion of purchasers among those 35 and under.

That indicates that young people see supers as the natural place to buy their magazines. Certainly they'll continue to do so as they get older.

Perhaps the most important fact revealed by these studies is the *potential* of magazines, tabloids and books in supermarkets.

If supers give publications the opportunity, the future may see these highly profitable items contributing as much as 5% of total store volume. □

—Charlene Komar Kunkel



Source: Lebhar-Friedman Research

Young people are more likely than adults to buy publications in supers.

True story! Shoppers on steady magazine diet

One out of 10 supermarket shoppers will buy a magazine on her next shopping trip.

Under the present distribution system, magazines have evaded movement analysis for many years.

No longer. Scan data has pinpointed the sales power of magazines with the precision of a laser beam.

The stunning facts:

- On any single shopping trip, 10.2% of all shoppers buy magazines.
- Magazines rank 10th among the most frequently purchased categories in a supermarket.
- Magazines outrank such categories as bar soap, sugar, coffee, canned dog food, cake and cookie mixes, flour, corn meal, ketchup, chili sauce, liquid and spray cleaners in purchase frequency.

Unit sales—rather than dollar sales—were the criterion for this TRIM report because of the substantial variance in prices. For example, *TV Guide* sells for 50¢; Sunday newspapers, 50¢ and 75¢; *Cosmopolitan*, $1.75; The *Star*, 45¢, and *Family Circle*, 65¢.

In a study of magazine sales in superstores (35,000 sq. ft. and larger), TRIM analyzed six segments of magazines that account for 72%-83% of total unit sales, depending on the geographic region. The six are women's, TV programs, tabloids, personality-type, news and Sunday newspapers.

A total of 31,471,358 shoppers were tracked for one year in three chains: East, Midwest, and West Coast.

The highlights:

Women's magazines: Data was gathered on eight best-selling publications: *Woman's Day, Family Circle, Redbook, Better Homes & Gardens, McCalls, Glamour, Cosmopolitan* and *Good Housekeeping*.

In the West, this category accounts for 11.44% of retail units; Midwest, 21.75%, and 26.86% in the East.

In the battle of the titans, *Family Circle* outpoints *Woman's Day* in all three geographic areas: 11.58% vs. 9.33% in the East; 9.42% vs. 7.91% in the Midwest, and 4.27% vs. 3.40% in the West.

Not all sales of *Family Circle* and *Woman's Day* are equally divided during the three-week life cycle of each issue. Both publications record significantly higher sales during their first week of issue. *Woman's Day*, for example, was in 8% of all shopping carts the first week of publication, while *Family Circle* was in 9%. In the third week of the cycle, however, *Woman's Day* was only in 3% of the carts, while *Family Circle* was in 2%.

TV programs: This one-publication category (*TV Guide*) has demonstrated awesome sales velocity. In the East it has 18.21% unit shares; in the Midwest, 30.80%, and in the West, a whopping 36.16%.

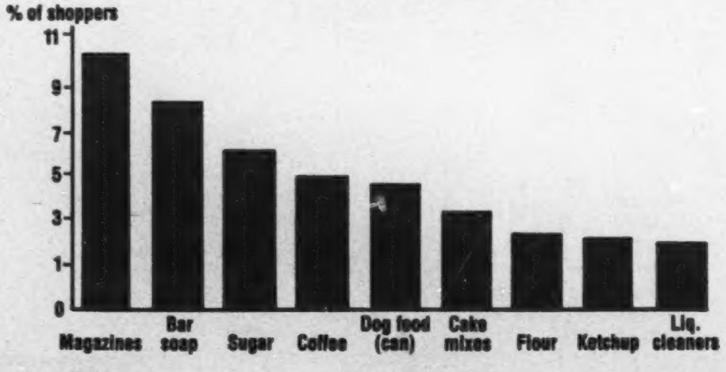
Tabloids: Three publications—the *Star, National Enquirer* and *Midnight*—are the giants in this field. The prime market is the East (17.39%), followed by the Midwest (16.88%), and the West, (15.42%).

The *National Enquirer* and the *Star* are jockeying for the top spot in all three regions, *Star* leads in the East and West, while *National Enquirer* paces the Midwest.

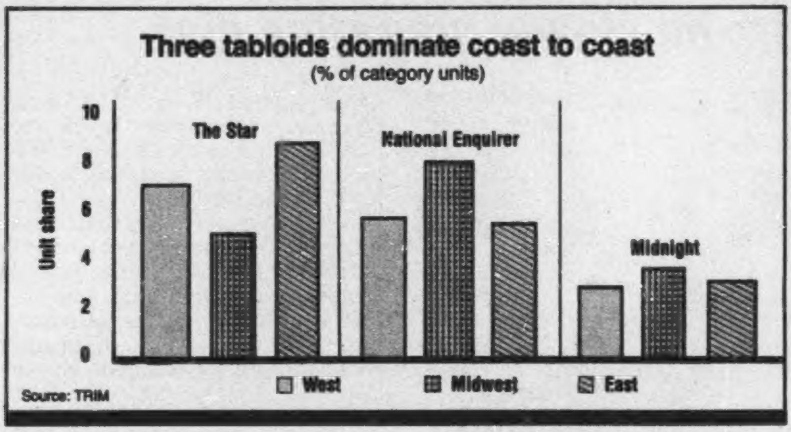
In the East, it's *Star* with 8.92% vs. *National Enquirer* with 5.73%, and *Midnight* at 2.74%. In the West, *Star* squeaks ahead of *National Enquirer* (6.95% vs. 5.85%, with Midnight at 2.62%. In the Mid-

Magazine purchases outrank major categories

(% of shoppers buying on single shopping trip)



Source: TRIM



Source: TRIM

west, *National Enquirer* leads *Star,* 8.33% to 5.25% with *Midnight* coming in at 3.30%.

Personality-type magazines: *People* overwhelms *Us*. In the West, *People* captures 4.93% of unit sales while *Us* lands 1.02%. In the Midwest, it's 4.88% for *People*, 0.65% for *Us*. And in the East, 4.22% for *People* vs. 0.53% for *Us*.

News magazines: Due largely to the preponderant number of mail subscriptions, the newsstand performance of *Time, Newsweek* and *U.S. News and World Report* is anemic.

Time is the topper in this limited market. In the Midwest, *Time* with 0.78% outpoints *Newsweek* (0.45%) and *U.S. News* (0.05%).

In the East, *Time* at 0.31% paces *Newsweek* (0.21%) and *U.S. News* (0.01%). In the West, *Time* is at 0.70%, *Newsweek*, 0.44%, and *U.S. News* 0.07%.

Sunday newspapers: Led by the *Los Angeles Times*, the West Coast is the runaway leader (13.25%), followed by the East (4.57%) and Midwest (4.37%).

Although scan analysis of magazines represents a dramatic breakthrough, there are many questions that still need to be answered.

One is the positioning of the magazines at the checkout rack. Is movement affected when a magazine is on the bottom slot instead of the top?

Is there incremental volume if the best sellers are double-displayed in the regular magazine section? If so, how much more overall volume can be achieved?

Is it more effective to double-display the largest-selling segment (women's) or to double-display the top sellers of all six categories?

And what about cross-merchandising? Little, if any, is being done today. Yet the possibilities for additional sales are there. For example, what kind of sales response would result if a woman's magazine were displayed on a shelf extender in the baking section? Or produce section?

This brings up another point: Will the shelf-extender method favor magazines with smaller-sized formats (such as *TV Guide)* so that customer vision of the merchandise is less likely to be impaired?

Should there be shipper displays of specialized publications—such as H&R Block's tax book—that sell briskly from January to April? Or special holiday issues, displayed with glacé fruit, with a side pocket for cents-off coupons or recipes?

Cross-buying? According to TRIM's analysis of 13 stores in the West, there is a direct link between customers buying specific products and those buying specific magazines.

The data reveals that 2.8% of customers buying *TV Guide* also buy Wesson Oil, as compared to 1.4% who buy *Woman's Day* or 1.4% who buy *Family Circle.*

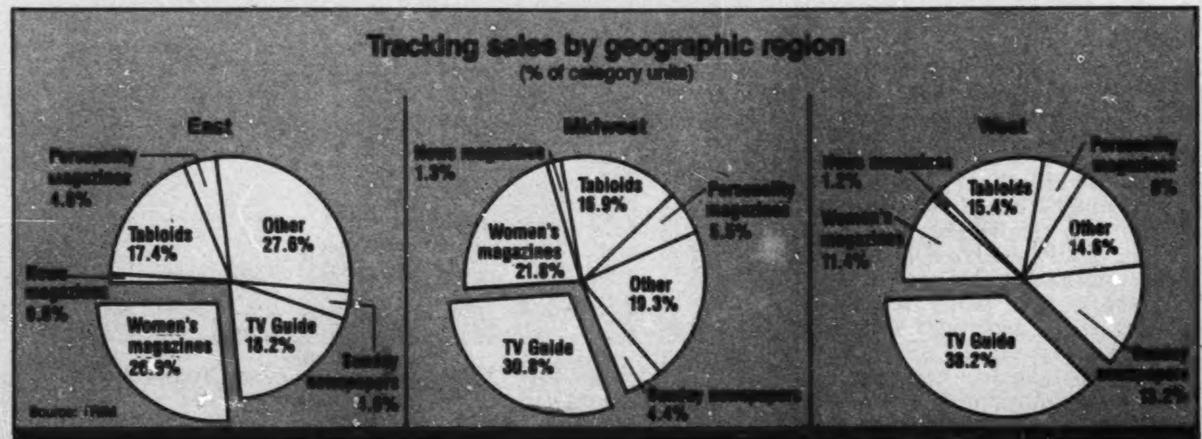
TV Guide buyers purchase more Starkist tuna (5%) than those buying *Woman's Day* (4%) or *Family Circle* (2.8%).

On Scott tissue, *TV Guide* rates 3.5%, compared to 1.7% for *Woman's Day* and 0.9% for *Family Circle.*

Family Circle purchasers buy more Crest toothpaste (4.5%) than those who buy *TV Guide* (3.5%) or *Woman's Day* (2.9%).

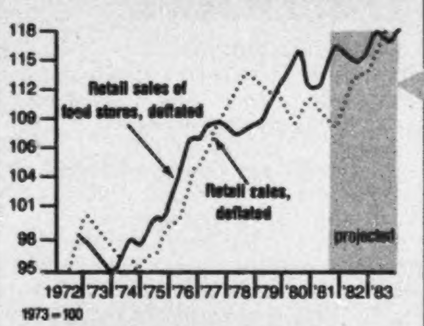
In addition, *Family Circle* purchasers buy more Schilling Dry Mix (6.6%), contrasted with 4.5% for *Woman's Day* and 3.6% for *TV Guide.*

Now that manufacturers know which customers buy which magazines, there is an incentive for advertising in those magazines. Lawry's may find, for instance, that it can reach more Schilling users by dropping a coupon in *Family Circle* rather than *TV Guide.*



Source: TRIM

Food sales gain 2% in 1st qtr. forecast



Food stores

Sales change by quarter | **12-month % change**

	'81 1Q %	'81 2Q %	'81 3Q %	'81 4Q %	'82* 1Q %	'82* 2Q %	'82* 3Q %	'82* 4Q %	'80 %	'81 %	'82* %
Sales include inflation	10.5	10.7	9.4	7.9	7.6	7.4	8.0	9.1	10.8	9.6	8.0
Real sales (deflated)*	-1.4	0.3	1.2	3.0	1.9	-1.0	-0.9	-0.4	3.0	0.8	-0.1

Base = Dec. 1981 sales
*Projected

After months of nagging pessimism, consumers seem to be more confident about the economy again. But they still aren't ready to shell out hoarded disposable dollars for major purchases any time soon, according to the latest soundings of the Conference Board.

That outlook goes hand-in-glove with current Ecnocycle projections for general retailing over the next few months.

Consumer spending gains will probably be modest at best, the new Conference Board study indicates.

The latest consumer confidence index reading (calculated on a 1969-70 base of 100) moved up to 61.2 in January, a gain of 1.8 points over December levels.

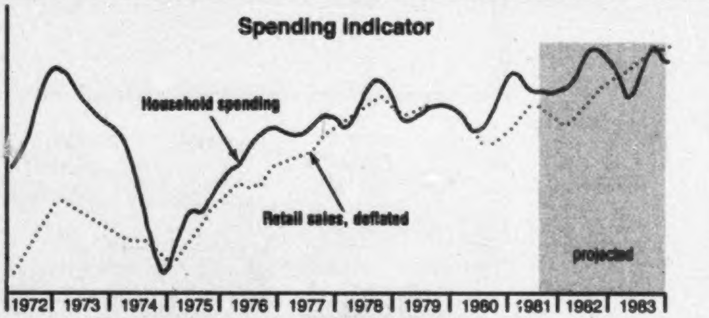
This turnaround attitude hints at an improving economy and mirrors L/F's spending indicator (below), which now sees a clear "recovery path" opening up for general retailing in the second quarter and building tempo until year-end.

The L/F Econocycle projection for supermarket/food retailers backs up last month's call for a strong first quarter. The computer model sees a gain in the 2% range—although the rate-of-gain will probably start falling off this month.

For the long pull, the forecast is for gradual slippage and flat sales through most of 1982—indicating that supermarkets will underperform against total retailing and possibly lose their recently gained share-of-market back to the eat-out sector of the marketplace.

Total retail sales, by comparison, will be off 1%-2% next month, but the rate of decline has been halved and is nosing upward through the first three months of the year.

The overall retail economy should have a healthier glow through the second quarter, with assists from key retail categories.



Sales/include inflation
% change by quarter

		Total retail	Food	Eating & drinking	Building materials hardware	Drug	Furniture & appliance	Apparel	General merchandise	GAF
1981	1Q	9.9	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	12.3	10.7	11.4	15.2	10.3	9.0	8.7	12.5	10.9
	3Q	10.2	9.4	10.0	7.4	8.7	5.0	8.3	9.5	8.2
	4Q	6.2	7.9	9.8	-6.2	5.2	2.5	5.9	5.0	4.6
1982	1Q*	3.1	7.6	8.3	-10.1	5.4	1.3	2.3	2.5	2.2
	2Q*	3.8	7.4	7.6	0.7	5.3	7.5	4.4	2.2	3.8
	3Q*	5.4	8.0	11.4	10.7	6.3	9.3	4.9	6.5	6.7
	4Q*	7.6	9.1	10.9	15.0	6.9	8.1	5.7	10.2	8.8
% change 12 mos.	1980	7.5	10.8	8.7	-3.2	11.9	4.7	4.6	5.9	5.4
	1981	9.6	9.6	9.6	6.0	8.6	6.2	8.1	8.6	8.0
	1982*	5.0	8.0	9.6	3.6	6.0	6.5	4.3	5.4	5.4

Real sales (deflated)*
% change by quarter

		Total retail	Food	Eating & drinking	Building materials hardware	Drug	Furniture & appliance	Apparel	General merchandise	GAF
1981	1Q	0.4	-1.4	-2.1	-1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.6	0.4	2.1	6.0	0.3	3.0	4.5	5.8	4.9
	3Q	2.4	1.2	1.1	0.5	-1.1	-0.6	3.9	3.2	2.5
	4Q	-0.4	3.0	1.6	-11.1	-3.9	-3.1	2.6	-0.3	-0.3
1982	1Q*	-2.4	1.9	1.8	-13.1	-2.1	-4.6	-0.8	-2.4	-2.5
	2Q*	-0.6	-1.0	0.9	-2.9	-0.3	0.2	1.3	2.7	-1.2
	3Q*	2.5	-0.9	4.1	3.7	2.1	1.1	2.0	1.3	1.4
	4Q*	5.4	-0.4	3.3	5.5	3.0	0.0	2.2	3.6	2.6
% change 12 mos.	1980	-2.7	3.0	-0.7	-12.4	2.5	-1.4	0.1	-1.5	-1.2
	1981	1.5	0.8	0.6	-1.6	-1.1	0.4	4.2	2.4	2.3
	1982*	1.2	-0.1	2.5	-2.2	0.6	-0.9	1.2	-0.1	0.0

Base = Dec. 1981 sales
*Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.

WAFC rides "wave of change"

Seattle shoppers fall hard for Safeway

Packaging the future: industry's No.1 challenge

Chain Store Age Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & WHOLESALERS

April 1982

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Service departments:

Can the profits outweigh the problems?

Chain Store Age Supermarkets

April 1982

Fresh seafood is one of five service departments featured at Mayfair Foodtown's new prototype in New Jersey .... *p. 25.*

On the Cover

Service departments are appearing with greater regularity and in greater variety, but old problems remain: the high cost of labor, operational difficulties, limited markets. *CSA* looks at some of the old standbys and checks into emerging departments **25**

Special Report

As the food industry grapples with its present-day problems, there are forces at work today that will have a profound impact on how the distribution system will evolve tomorrow. In this provocative look at the future, *CSA* explores what's being done to meet these challenges **21**

Consumer Study

Seattle shoppers have fallen hard for Safeway—and there doesn't seem to be another serious suitor in sight. This second installment of the six-part Consumer Attitude Survey takes a long look at the courtship **50**

Industry News

Washington alert: Reaganites push to bring back 'fair trade' **38**

West Coast review: in California, it's expansion at all costs **40**

Don Ritchey: WAFC's chairman examines the pluses of a harsh economy **43**

WAFC convention '82: the 'waves of change and new potentials' **43**

GMDC copes with new pressures on nonfoods **70**

Merchandising News

Beer and wine: high, light and white are in **56**

GM/H&BA Extra: what—and who—is new in nonfoods **63**

Motor oil is still No. 1 draw in auto care **67**

Departments

Viewpoint *by Larry Schaeffer* 5

Express Checkout 6

On Management *by Fritz Biermeier* 12

GM Report *by Allen "Bud" Levis* 72

On Design *by Arnold Ward* 74

What's New 76

Scan Analysis 78

L-F Econocycle *by Charles Diamond* 82

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CSA Survey: Seattle shoppers

With an estimated 44% market share, you would expect Safeway to dominate the Seattle market.

It does.

But judging from the results of the latest *Chain Store Age* Consumer Attitude Study, Safeway's hammerlock on Seattle's food shoppers is not just tight, it's secure and deeply reciprocated. Seattle shoppers seem to like hugging Safeway as much as Safeway likes hugging them.

Not only does Safeway have the runaway lead as the market favorite, chosen by four out of every 10 respondents as their favorite store; it also rates No. 1 in all 10 of the key areas of shopper preference, including the top three—quality produce, cleanliness and quality meats.

The nations's biggest chain is apparently also living up to its commitment to expanding nonfoods, at least in Seattle, where shoppers rate it tops in two other areas of growing importance: variety and assortment of general merchandise and variety and selection of health and beauty aids.

When it comes to what really matters to a Seattle shopper settling on a favorite food store, nothing rates as high as quality produce, with more than nine out of 10 shoppers calling it extremely or very important. Also high on Seattle consumers' list are cleanliness, quality meats, convenience of location and low everyday prices.

In contrast to Safeway's unquestionable dominance in all five of these critical areas, Albertsons, with approximately 8% share of the total market, scored second place only once (in quality produce) and hit third place only twice (in cleanliness and convenience).

Lucky, with its approximately 7% share, hit second place in the top five areas twice (convenience and low everyday prices) and was in third place only once (quality meats).

Tradewell, which also has a 7% market share, didn't make it into second place once, and rated decidedly low, fifth place, on the four most important areas: quality produce, cleanliness, quality meats and convenience. On low prices, Tradewell came in fourth.

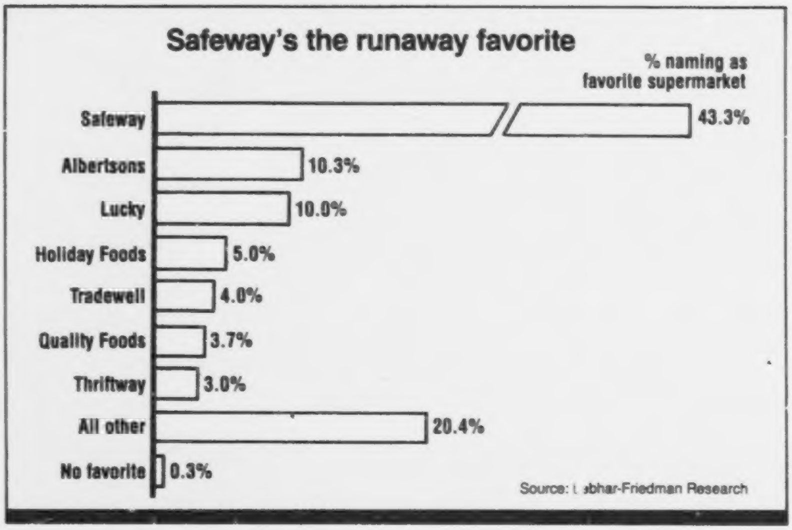
Quality Foods, with its approximately 5% market share, proved to be a dark horse by scoring rather well on every dimension except low prices. The 18-store chain came in seventh and last on low prices, but it picked up the No. 2 spot for cleanliness and quality meats, and ambled in third on quality produce.

Thriftway was the decided loser in the survey, ranking sixth on cleanliness, convenience, price and quality produce and seventh on quality meats.

Holiday Foods fared almost as badly, breaking out of the sixth and seventh place only twice, with a third-place ranking for its low everyday prices, and again with a fifth place tie on quality produce.

The unanimity with which Safeway was rated No. 1 on all 10 of the key dimensions, coupled with the fact that there is no one competitor that is equally as secure in second or third place, seems to ensure that

fall for Safeway



Source: Lebhar-Friedman Research

the chain will have a tight rein on the Seattle market for many months to come.

Seattle is one of Safeway's most profitable divisions, and the chain has been busy securing its beachhead there with an aggressive superstore expansion and an intelligent remodeling program.

At last count, Safeway had opened 11 stores in the Seattle area in 1981 for a total of 62 stores in the metro Seattle area, and 126 in the division. Plans call for the opening of 11 more in metro Seattle in 1982.

Undoubtedly, Safeway's thorough penetration of the area assures it the greatest market visibility and recognition. Some 99% of the shoppers responding to the *CSA* survey had at some time shopped a Safeway. In contrast, only 74% had ever shopped an Albertsons; only 68% had ever shopped Lucky's; 54% at Tradewell: 52% at Quality Foods; 48% at Thriftway, and 24% at Holiday Foods.

This relatively poor exposure for some of the smaller chains was particularly surprising, in light of the fact that 51% of the shoppers responding indicate that they do their major shopping in more than one supermarket.

In addition to their major shopping trips, roughly one-third of the respondents said they made at least one extra fill-in trip during a typical week, and an equal number said they made two.

It seems likely that Seattle shoppers, despite their mobility, are set in their ways and are patronizing the one or two stores they know best. This could signal an opportunity for some of the underdogs, who should be out beating the bushes with their advertising.

In a strong confirmation of store loyalty, some 67% of the respondents said they made their additional shopping trips at the same store where they made their major food purchases.

Seattle shoppers are also inclined to stay with a favorite once a pattern has been established. Nearly nine out of every 10 respondents said they had *not* switched stores

Behind the study

The Chain Store Age *Seattle Consumer Attitude Study is the second of a six-part survey planned for 1982.*

Each study is based on hundreds of telephone interviews conducted by Lebhar-Friedman Research, with this magazine's own research arm furnishing supplementary analysis of the extensive data on how shoppers think and behave.

The surveys present closeups of the attitudes and opinions that shape the way people approach their shopping experience in a given region. Included are insights into what people want in a retail food store, why they switch favorite supermarkets, what they tend to buy in a favorite store and how much they tend to spend.

Subsequent studies will take the pulse of consumers in Atlanta, Boston, Houston and Philadelphia.

within the course of a year.

Of the 13% who had switched, 31% defected for lower prices, 23% went to a unit more convenient to their home and 23% changed because they moved.

Safeway as the area leader lost most of those who switched: Nearly 40% of the defectors bolted from Safeway. Albertsons lost 10%; Lucky, 7%, and Tradewell and Thriftway, 5%.

Some 67% of all the shoppers who picked Holiday Foods as their favorite said they shopped there exclusively, compared to the 49% of all the shoppers who picked Safeway as a favorite.

Quality Foods inspired the next heaviest loyalty with a 64% exclusive following, and Lucky came in third with 57%. Tradewell fared the worst with 25%.

Men turn out to be more loyal than women in the Seattle survey; 54% of the males have one favorite, compared to 47% of the females. Surprisingly, the singles were more steadfast than married shoppers, with 53% of the unmarried shopping their favorite exclusively compared to 47% of the married. Shoppers making between $15,000 and $30,000 a year appear the most volatile. Only 44% of this group has a steady favorite. The rest are out looking for better prices or more convenience.

Lucky does a particularly good job gaining the confidence of singles, and Albertsons has an excellent rapport with males. Only 10% of the total respondents in the survey picked Lucky as their favorite supermarket, but 17% of all the single respondents settled on that chain. And only 10% of our total respondents picked Albertsons as a favorite, but when it came to males, that chain racked up 18% of the vote.

Safeway, in contrast, is firmly established along the four demographic lines of sex, age, income and education, but slips a little when it comes to marital status. Only 37% of singles considered it a favorite store, in contrast to 43% of the total sample.

In a market where Safeway seems to be so securely established, such minor deviations might not look like much. But if Albertsons, Lucky, Tradewell and the others are ever going to break Safeway's bearhug with the Seattle consumer, it will be through chipping away at every little chink that materializes. And if Safeway is to continue its warm embrace, it will be through identifying and repairing the chinks before they start to crack. ☐

Produce and cleanliness matter most

(rankings in order of shopper importance*)

	Extremely/very important	Somewhat important	Not too important	Not at all important
Quality produce	93.4%	4.0%	1.3%	1.3%
Cleanliness	84.4	11.7	2.7	1.3
Quality meats	83.3	6.0	4.3	6.3
Convenient locations	79.7	14.7	4.3	1.3
Low everyday prices	79.0	13.7	5.7	1.7
Ad specials	61.7	20.7	11.7	5.7
Fast checkout	61.3	23.7	11.3	3.7
Helpful workers	57.0	30.0	9.3	3.3
Variety and quality of private label	52.6	24.7	18.0	4.7
Variety & selection of national brands	52.0	28.0	15.0	5.0
Wide selection of general merchandise	48.6	21.7	18.3	11.3
Variety & quality of generics	24.6	24.3	24.7	26.0
Wide selection of H&BA	16.3	17.7	33.7	32.3

*May not add up to 100% due to small percentage of those who did not answer.
Source: Lebhar-Friedman Research

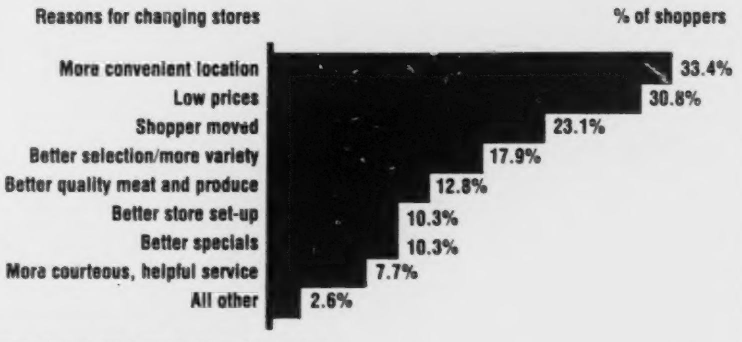
Safeway gets the A's where they count

	Safeway	Albertsons	Lucky	Tradewell	Quality Foods	Holiday Foods	Thriftway
Quality produce	1	2	4	5*	3	5*	6
Cleanliness	1	3	4	5	2	7	6
Quality meats	1	4	3	5	2	6	7
Convenient location	1	3	2	5	4	7	6
Low everyday prices	1	5	2	4	7	3	6
Frequently advertised specials	1	2	3	6	4	7	5
Fast/efficient checkouts	1	4	3	6*	2	6*	5
Helpful clerks	1	2	3	5	4	7	6
Variety & quality of private label	1	3	2	4	7	6	5
Variety & selection of national brands	1	2	3	5	4*	4*	6
Wide assortment of general merchandise	1	3	2	5*	4	5*	6
Generics & no-frills selection	3	2	1	4*	6	5	4*
Wide assortment of health & beauty aids	1	3	2	5	4*	4*	6

Source: Lebhar-Friedman Research

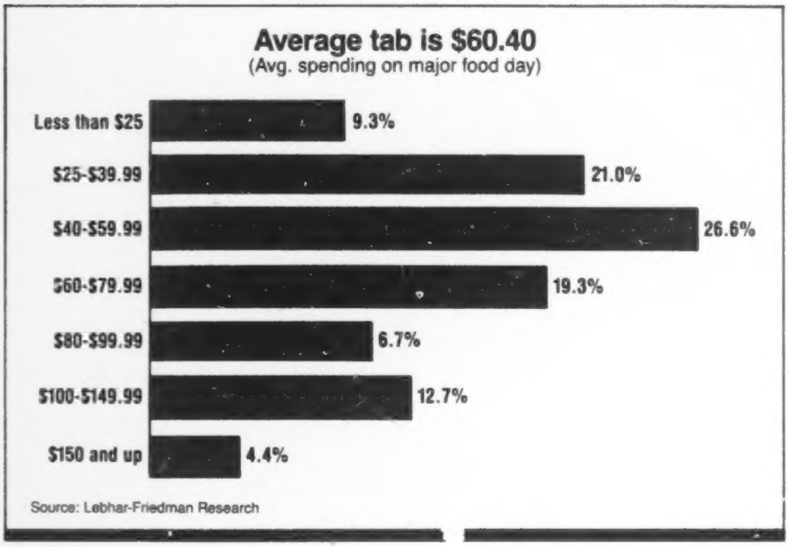
*Indicates a tie

When they switch, it's for price or convenience



Note: Will not add to 100% due to multiple mentions
Source: Lebhar-Friedman Research

Shopping the same but spending more


Average tab is $60.40
(Avg. spending on major food day)

Source: Lebhar-Friedman Research

Seattle shoppers are currently making about the same number of food trips to the same number of stores as they did a year ago—but nearly seven out of 10 say they're spending considerably more money.

The average expenditure for a major food purchase in Seattle is $60.40 per shopping trip—slightly higher than the average tab reported in other survey cities: $56 in St. Louis, $57.30 in Chicago and $58.70 in Minneapolis/St. Paul.

Shoppers here, however, don't seem to be spending more money solely because they're shopping more. Only 15% are visiting the supermarket more frequently this year—and an equal number are shopping less. The majority, 69%, are shopping exactly as often as they did last year, and 88% visit the same number of stores.

Seattle consumers, aware of the higher food bills, appear to be looking more diligently for the best bargains: Only 49% do all their major food buying in just one supermarket. Some 35% of the respondents indicate they have two supers in which they do their major shopping, and 12% have three.

What's more, over a third also make at least one additional trip to a food store each week to "fill in." These side trips cost shoppers an additional $18.30 in average expenditures per week.

But Seattle consumers seem to enjoy their day at the market. Some 53% of them combine their food shopping with trips to other destinations.

Thursday's the big shopping day in Seattle, with nearly one in four electing to do her food shopping then. Friday and Saturday are also big days, with 15% and 16% respectively choosing to do their shopping then.

Conversely, Monday and Tuesday are sleeper days, each rating a mention with only 2% of the respondents. An extremely high 28% say they have no special days.

It really doesn't pay for Seattle supers to stay open late at night. Only 1% of the respondents like to shop after 10 p.m., and most prefer to be in and out of the store before 5 p.m. Some 29% like to shop before noon, while another 39.3% choose the hours between noon and 5. Only 18% tend to be in the same stores between 5 and 10 p.m.

Seattleans form strong shopping habits

Activity	Always done	Recent practice	No answer
Make out a shopping list	89.7%	9.5%	0.8%
Check newspaper store ads	84.5	14.3	1.2
Cut out manufacturers coupons	74.9	24.7	0.4
Note radio and TV store ads	65.0	34.4	0.6
Note stores offering bonus coupons	66.7	33.3	—

Source: Lebhar-Friedman

Seattle shoppers indicate an interest in both national brands and private labels, while the appeal of generics and low-frills is rather slim. Only 4% never indulge in name brands, and only 6% skip private labels, as compared to 40% who say they never buy generics. A surprising 33% said they also never buy ethnic specialties such as Italian, Spanish or Jewish delicacies.

Even granted that the degree of nonfood penetration in many supermarkets is still relatively small, the line seems to be of minor importance to Seattle shoppers. Only 28%, for instance, say they always or frequently buy health and beauty aids, while 35% say they never do.

Some 93% never buy prescriptions in a supermarket; another 92% never pick up electrical appliances; another 83% don't care about glassware or china, and 72% are indifferent to cosmetics.

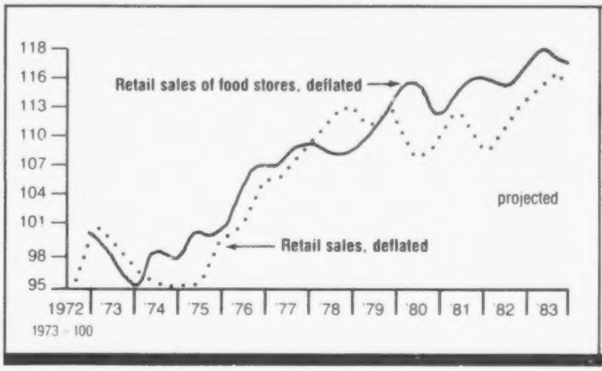
Nearly 40% will buy small apparel such as hosiery, underwear and gloves in a supermarket. Close to 60% will buy magazines and tabloids, and another 35% will buy books. Almost 40% will buy housewares such as pots and pans. Some 30% will buy cosmetics, while nearly 60% will buy over-the-counter medications.

Seattle shoppers are a hardy bunch: More than half will pass up the supermarket closest to their home in favor of another farther away—as many as 11% will go five miles or more.

Only 17% of Seattle's shoppers will spend more than $100 on an average major shopping trip, and interestingly, Tradewell, not area leader Safeway, gets the largest share of these shoppers. An average check at Tradewell comes to $99.30, compared to an average of $57.80 for Safeway. What is even more interesting is that Tradewell is not rated one of the highest-priced chains in the Seattle market, but comes in fourth out of a field of seven on price/value. ☐

—**Elizabeth Parks**

See sluggish 2nd qtr. for supers



Food stores

	Sales change by quarter								12-month % change		
	'81 1Q %	'81 2Q %	'81 3Q %	'81 4Q %	'82* 1Q %	'82* 2Q %	'82* 3Q %	'82* 4Q %	'80 %	'81 %	'82* %
Sales include inflation	**10.5**	**10.7**	**9.4**	**8.4**	**7.6**	**7.2**	**7.7**	**8.4**	**10.8**	**9.7**	**7.7**
Real sales (deflated)*	**-1.4**	**0.3**	**1.2**	**3.6**	**2.5**	**-0.4**	**-0.2**	**-0.2**	**3.0**	**0.9**	**0.4**

Base = Dec 1981 sales
*Projected

After a strong kick into the first three months of the new year, supermarket sales appear to be softening again. The sluggish sales trend, according to Econocycle projections, will continue into the third period, in fact.

In the first quarter, food sales may have risen higher than the 2% originally forecast—and it now appears that food operators won't lose much market share in the months ahead, despite an upturn in the general retail economy that is now under way.

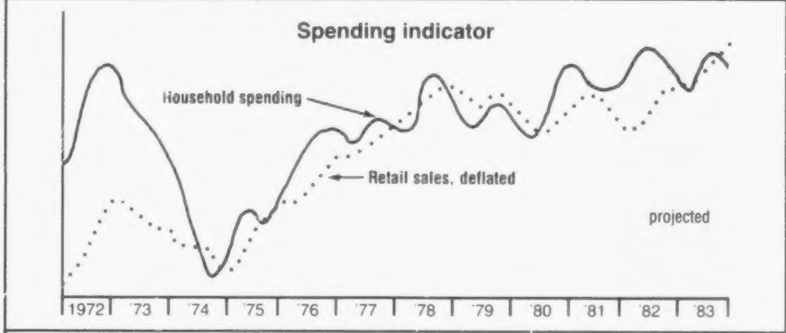
Supermarkets will, however, continue to trail the eat-out sector (restaurants and fast-food outlets) in the battle for consumer dollars by at least five months this year, according to projections of the L/F computer model. Currently, eat-out sales are outpacing and outdistancing gains and trends in the supermarket field.

The L/F spending indicator sees gradual declines in household purchasing through the first and second quarters—but still calls for an overall gain for the year. Spending, however, continues at a lower rate than the trendline projected for total retail sales.

The L/F Econocycle projection for supermarket/food retailers is for a marginal gain this month, edging into flat sales in May.

Sales for general retailing, on the other hand, show a reverse trend of steady improvement over the next few months. April sales are forecast at minus 2%, and May sales are expected to be off about 1%, according to computer projections.

Presently, that puts supermarket sales in a healthier comparative position vs. total trends—but as other sectors of the economy recover in the next quarter, the gap between food outlets and the general retail economy will widen.



Sales/include inflation
% change by quarter

		Total retail	Food	Eating & drinking	Building materials hardware	Drug	Furniture & appliance	Apparel	General merchandise	GAF
1981	1Q	9.9	**10.5**	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	12.3	**10.7**	11.4	15.2	10.3	9.0	8.7	12.5	10.9
	3Q	10.2	**9.4**	10.0	7.4	8.7	5.0	8.3	9.5	8.2
	4Q	5.5	**8.4**	8.6	-4.2	7.0	1.6	4.9	6.3	5.0
1982	1Q*	2.3	**7.6**	7.2	-10.3	7.1	-0.2	1.2	3.6	2.3
	2Q*	2.5	**7.2**	6.6	-0.8	6.7	5.2	3.0	3.3	3.6
	3Q*	4.1	**7.7**	10.4	8.5	7.4	7.1	3.5	7.5	6.6
	4Q*	6.4	**8.4**	11.1	10.9	6.4	6.9	4.9	9.9	8.2
% change 12 mos.	1980	7.7	**10.8**	8.7	-3.2	11.9	4.7	4.6	5.9	5.4
	1981	9.4	**9.7**	9.3	6.5	9.0	5.9	7.9	9.0	8.1
	1982*	3.8	**7.7**	8.9	1.7	6.9	4.7	3.1	6.1	5.2

Real sales (deflated)*
% change by quarter

		Total retail	Food	Eating & drinking	Building materials hardware	Drug	Furniture & appliance	Apparel	General merchandise	GAF
1981	1Q	0.4	**-1.4**	-2.1	-1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.6	**0.3**	2.1	6.0	0.3	3.0	4.5	5.8	4.9
	3Q	2.4	**1.2**	1.1	0.5	-1.1	-0.6	3.9	3.2	2.5
	4Q	-1.1	**3.6**	0.5	-9.3	-2.4	-3.8	1.7	0.9	0.1
1982	1Q*	-3.1	**2.5**	0.9	-13.0	-0.8	-5.6	-1.9	-1.2	-2.3
	2Q*	-1.7	**-0.4**	0.1	-4.0	0.7	-1.2	0.0	-1.2	-1.0
	3Q*	1.3	**-0.2**	3.4	2.2	2.8	-0.3	0.6	2.8	1.7
	4Q*	4.6	**-0.2**	3.7	2.1	2.4	-0.8	1.4	3.9	2.4
% change 12 mos.	1980	-2.6	**3.0**	-0.7	-12.4	2.5	-1.4	0.1	-1.5	-1.2
	1981	1.3	**0.9**	0.4	-1.1	-0.8	0.2	4.0	2.7	2.4
	1982*	0.2	**0.4**	2.0	-3.5	1.3	-2.0	0.0	1.1	0.2

Base = Dec 1981 sales
*Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.

C5150-1 5/13/82

FMI at five—a growing influence

Are chains doomed in Detroit?

Chain Store Age Supermarkets
THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES
May 1982

SPECIAL REPORT

WHAT FORMATS TURN SHOPPERS ON-- AND OFF

TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

Chain Store Age
Supermarkets
May 1982

Doing something right: *Detroit's Chaldean-run independent stores are often messy, crowded—and usually very successful . . . . p. 60*

On the Cover

The definition of "supermarket" is broader than ever before as retailers continue to roll out a varied array of innovative formats. In this special report, *CSA* polls shoppers on the pros and cons of today's five mainstream designs **30**

Industry News

State tax legislators zero in on retailing to balance their budgets **20**

Superstore census: tight money wrecks building plans for 1982 **22**

The future of formats is big—and diverse **24**

Safeway shoots for the top with Bon Appétit **26**

Superstore wholesaler Super Valu: the biggest gets bigger **36**

FMI update: a growing influence at five; chairman D'Agostino cites strategic planning; biggest-ever convention hits Chicago **44**

Stop & Shop: pulling out all the stops to regain New England **53**

Are the chains doomed in Detroit? **60**

Hawaii's Foodland: riding out the storm in Paradise **64**

Hannaford Bros. tightens its belt as it expands into retail **68**

Israel looks to growth in the American market **73**

Merchandising News

Striking a happy medium at the front end **75**

Long Island's King Kullen bulks up its "garden spot" **83**

Barbecue sales cook up a storm in supers **84**

Diet and lo-cal products evolve into heavyweights **87**

Dairy: milking cheese for maximum profits **89**

GM/H&BA Extra: what—and who—is new in nonfoods **93**

Upscale hosiery gives supers a leg up **97**

Contraceptive sales show increasing strength **98**

Departments

Viewpoint
by Larry Schaeffer 5
Express Checkout 9
GM Report
by Allen "Bud" Levis 100
Equipment Focus 102
What's New 105
Scan Analysis 110

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Tight money wrecks

R ATION
SHOPPING
CENTER
COMING SOON...
Pathmark

Whatever the reason—the uncertain economy, a fear of the depth of the unfolding recession, general disillusionment with Reaganomics or simply tight money—proposed new store construction for the supermarket industry is being sharply curtailed in 1982.

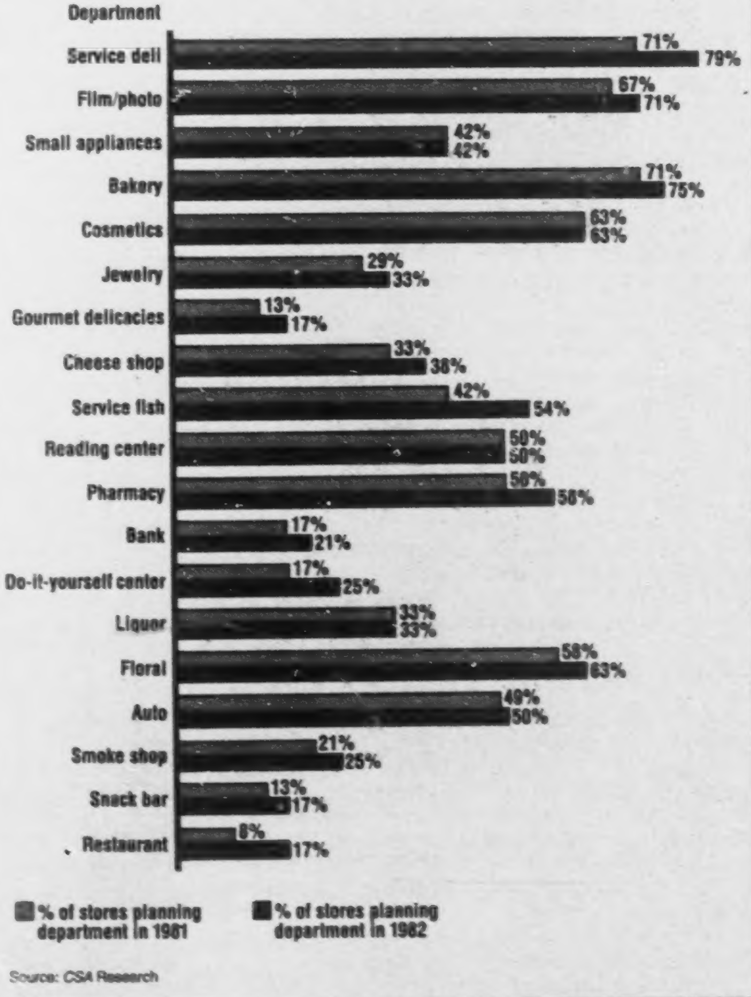
According to the results of *Chain Store Age*'s third annual supermarket census, the nation's top 100 corporate supermarket chains are cutting back their proposed new store development by 40% from last year's pace—apparently so they can shift their priorities to upgrading existing units and stabilizing inroads in established markets.

Based on the construction plans outlined to *CSA*, chains expect to open approximately 1,180 new units during the next 12 months, down from a proposed 1,950 new stores planned by the major chains last year.

Moreover, respondents in 1981 indicated that they planned to open an average of 13 stores per chain. This year the number has dropped to an average of six stores per chain, and the rate of physical expansion, which was above 10% last year, is now down to an average of 7% per chain.

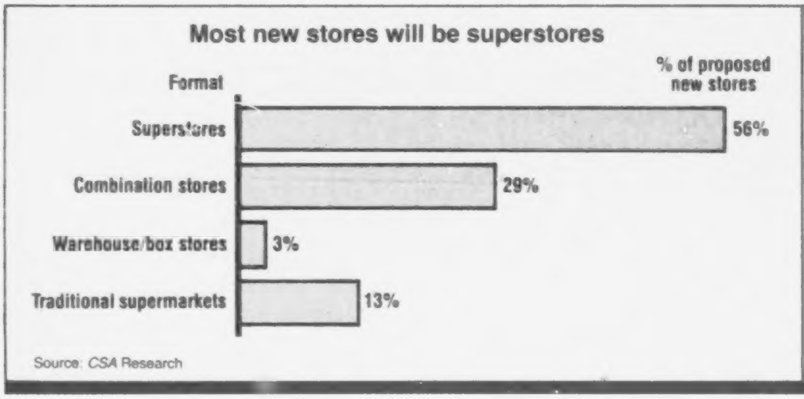
High interest rates and the overall flatness in industry sales, of course, account for some of this retrenchment. But the main priority in 1982 seems to be an overall industry need to assess what has been achieved to date and to balance this assessment against where chains

Specialty departments on the rise

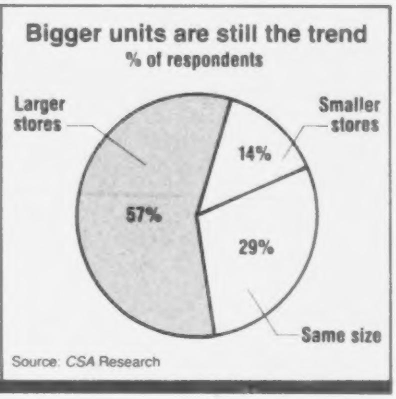


Source: *CSA Research*

building plans


Most new stores will be superstores

Source: *CSA* Research


Bigger units are still the trend

Source: *CSA* Research

should move tomorrow.

One thing is clear: the growth vehicles will continue to be the bigger and more diversified superstores and combination stores. More than eight out of every 10 stores planned this year by the major chains are to be one of these two formats. Respondents indicated that only 13% of their new construction in 1982 will be traditional or conventional supermarkets, and only 3% will be warehouse/box store formats. (*CSA* defines a superstore as a unit of 30,000 sq. ft. or more, doing over $5 million annually in sales. A combination store is a superstore devoting approximately 25% of its space to general merchandise and H&BA lines.)

The commitment behind superstores and combination stores underlines the fact that retailers still believe consumers want service and some specialty departments to give the stores they shop some magic and a point of difference rather than just bare low prices and no-frills.

Continuing the trend begun last year, stores planned for 1982 will be much larger than their predecessors. Close to six out of every 10 respondents say they plan to build bigger stores in 1982, while only 14% say they plan to build smaller. The rest say they intend to continue about the same.

Since the late 70's, there has been a move away from compact stores to bigger units capable of displaying a much more extended line of merchandise, including various types of nonfood products. In 1980, respondents to the first census survey indicated they were building stores averaging 35,000 sq. ft. Last year, the average had increased to 35,600 sq. ft. This year the average store slated for construction in 1982 is coming in at about 44,000 sq. ft., and the figure zooms to over 50,000 sq. ft. among the respondents who indicate they plan to build only superstores.

The bigger stores, of course, have room for more high-margin nonfood lines such as appliances, camera equipment, cosmetics, books, flowers and jewelry.

While the top chains are planning 1,200 stores, the count is 40% less than '81

And it is just these types of lines that survey respondents say they plan to add to their new stores this year. More than eight out of 10 operators say they plan to add service deli departments to their stores; last year the figure was only 70%. it would appear that worries over the increased cost of service are being soothed by the increases in volume resulting from pampering customers and suggestive selling.

This year more *CSA* respondents are also adding such popular boutique lines as in-store bakeries and jewelry departments. Some 75% indicate they plan to add in-store bakeries to their new stores this year, while last year only 70% indicated they actually added bakeries.

Last year, too, at this time, only 29% were planning jewelry departments. This year, some 33% are thinking of adding jewelry. Last year, only 33% had plans to add cheese departments. This year, 38% plan them.

Service fish is emerging as a particularly hot specialty. Last year fewer than half the respondents included service fish departments in their new construction plans. This year, 54% of the respondents are planning on adding this department.

The move to service and specialty departments is giving operators a chance to cater to the needs of a more affluent market, and with the cultivation of this better-heeled customer comes a chance to bolster store profitability through higher margin lines.

One of the clearest indications of how deeply this shift has reached is the extent to which nonfoods have penetrated traditional food stores.

Only a few years ago, supermarkets carrying an extensive general merchandise or health and beauty aids line were in the distinct minority.

But today's respondents indicate that higher and higher portions of their sales are coming from nonfoods. Not one of the survey respondents had nonfood sales under 3%, and the majority of our respondents, 55%, had GM and H&BA sales totaling over 10%. Only 25% had sales under 7%, while nearly four out of 10 had nonfood sales totaling 15% and more. Some 13% actually had nonfood sales totaling over 25% of store sales. ☐

—Elizabeth Parks

CSA Consumer Survey:

What formats turn

These days, it's commonly accepted that those supermarket operators who react swiftly and accurately to changing consumer preferences will be the ones to lead the industry charge through the turbulent 80's. All it takes—or so it seems in this era of specialization—is devising the best format for luring shoppers into the store based on the idiosyncrasies of the marketplace.

There's just one hitch: Too often what retailers perceive as the right outlet for their area is not quite what the typical shopper had in mind. And nothing eats into a grocer's bankroll faster than a disillusioned customer.

With this in mind, *Chain Store Age Supermarkets* decided to ask those folks who spend the most time and money, female shoppers, just what it is about the different store formats that turns them on—and off. After all, the prolonged economic malaise may have put a great premium on effective management and savvy marketing, but unless the format itself is captivating, all other efforts become moot.

There are so many factors that go into a shopper's decision in choosing a favorite type store that a definitive judgment on a most popular format would be ludicrous, if not downright misleading. Each of the five formats measured in the study has its own set of strengths and weaknesses. But one thing's for sure: The superstore may be the industry's bread-and-butter format, but it's the warehouse store that does the best job of satisfying its customers.

In fact, warehouse store shoppers voice disenchantment with only three of 13 critical measurements: quality meats, courteous service and national brands. Given the fact that the no-frills concept, in order to be effective, must adhere to the principles of meager labor (which all but inhibits service) and heavy manufacturer deals (which inhibits product consistency), the two latter negative appraisals are not surprising.

Warehouse stores best satisfy customer expectations

	Traditional stores		Warehouse stores	
	% of shoppers who feel factor is extremely/very important	% of shoppers rating actual performance as extremely/very good	% of shoppers who feel factor is extremely/very important	% of shoppers rating actual performance as extremely/very good
Quality produce	98.3%	81.2%	100.0%	92.3%
Quality meats	95.7	72.6	84.6	46.2
Everyday low prices	82.9	52.1	100.0	92.3
Variety/selection	84.6	73.5	100.0	92.3
Convenient locations	83.8	76.9	92.3	100.0
Fast checkout	74.4	52.1	76.9	76.9
Courteous service	74.4	68.4	69.2	23.1
Convenient hours	64.1	73.5	92.3	92.3
National brands	61.5	70.1	61.5	30.8
Special sales	63.2	65.0	23.1	23.1
Low nonfood prices	56.4	29.9	69.2	53.8
Many service departments	39.3	23.9	7.7	23.1

Source: Lebhar-Friedman Research

What *is* surprising, though, is that even though the warehouse store has a relatively low degree of penetration—at least in the major metropolitan areas where the survey was conducted—it ranks as the format with the most loyal base of customers.

As might be expected, shoppers who don't patronize warehouse units tend to turn their noses up at the format's layout, noise level and lack of cleanliness.

Nevertheless, the study indicates that the bare bones format enjoys the best correlation between what customers want and how well their first-choice store delivers on these expectations.

Apparently, warehouse store operators have won the approval of shoppers who regularly patronize these outlets. Not all operators, mind you, but those who are consistently convincing that they're low on price without sacrificing quality or variety. That's a heartening insight for retailers wavering on the idea of whether or not to gamble on this stripped-down store configuration. And there's one other encouraging signal for potential warehouse operators: Generally, those shoppers *not* patronizing this type format say their primary reason is that there simply isn't one conveniently located close to home or work.

There's no question that even as warehouse store fever spreads across the country, many retailers are convinced that the combination store offers the most potent prescription for rejuvenating anemic margins.

Unfortunately, just as its product mix is equally split, so is its appeal.

Nine out of 10 combo store shoppers, for instance, consider quality meat and produce as critical factors in choosing a regular food store, but only about 60% rate the format as extremely or very good in deliver-

How the survey was conducted

To get a fix on what turns shoppers on and off to the five major supermarket store formats, CSA *commissioned Lebhar-Friedman Research to interview hundreds of shoppers in three major metro markets.*

The survey focused primarily on why a shopper does or does not choose to patronize a particular format; CSA *also took a close look at how well a format performs once a shopper becomes a regular.*

shoppers on–and off

Box stores		Combination stores		Superstores	
% of shoppers who feel factor is extremely/ very important	% of shoppers rating actual performance as extremely/very good	% of shoppers who feel factor is extremely/ very important	% of shoppers rating actual performance as extremely/very good	% of shoppers who feel factor is extremely/ very important	% of shoppers rating actual performance as extremely/very good
92.7%	56.1%	95.6%	64.4%	96.1%	86.7%
85.4	48.8	91.1	80.0	94.1	80.4
90.2	51.2	82.2	42.2	86.3	49.0
75.6	53.7	91.1	88.9	78.4	80.4
87.8	61.0	82.2	82.2	80.4	82.4
61.0	39.0	73.3	80.0	70.6	72.5
63.4	43.9	63.2	64.4	70.6	72.5
56.1	65.9	82.2	88.9	51.0	74.5
51.2	46.3	53.3	73.3	58.8	74.5
61.0	41.5	53.3	37.8	51.0	49.0
65.9	39.0	46.7	24.4	54.9	27.5
22.0	18.6	53.3	53.3	35.3	29.4

ing in either of these areas.

Similarly, everyday low prices are viewed by respondents as a major determining factor in selecting a first-choice outlet, but less than half feel combos earn their allegiance in this measurement.

The combo's sister format, the superstore, drew parallel ratings by shoppers in most categories. But there was one striking difference: Unlike the combo store, the high proportion of shoppers who place a high premium on quality meat comes much closer to finding their needs fulfilled in the superstore.

Perhaps the most dismal appraisal for both full-service formats, the combo and superstore, is expressed in their relatively poor performances when it comes to providing regular shoppers low prices for nonfoods. While roughly half the respondents who patronize these stores indicate that if the price were right, they'd purchase their nonfood needs here, only one in four feels either of these two formats delivers.

The implication of this last factor is clear: Combo and superstore operators, in general, need to sharpen their competitive edges when it comes to general merchandise if they hope to lure a cost-conscious public with the concept of one-stop-shopping.

Considering the fact that the combo and superstore formats, with their emphasis primarily on size, service and expanded product category, score so poorly on everyday low prices compared to their less glamorous rival, the warehouse store, it's easier to understand how the bare bones approach has managed to carve out a deeply rooted niche for itself in many trading regions. Frills or no frills, shoppers seem to relish value more than anything else.

Meanwhile, as the supermarket industry focuses its attention on exotic store configurations, the traditional format continues to hold title to the most patronized outlet. Certainly, the conventional super appears to be doing a better job satisfying their customers, at least in basic areas, than its combo and superstore rivals.

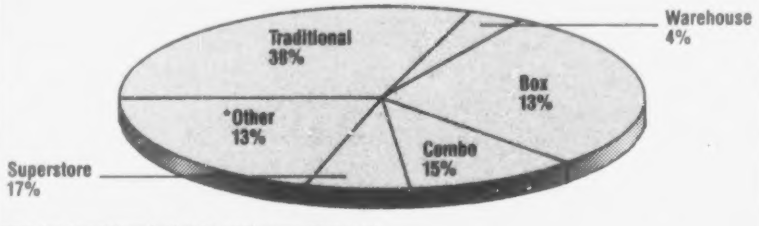
Of all the formats, traditional stores most closely meet the expectations of their customers when it comes to providing quality meats and produce. Throw in the fact that the most familiar format also scores well with its first-choice shoppers on such key dimensions as product variety, courteous service and national brands, and it's clear that success can still be achieved without scrapping conventional practices.

It should be noted that the stores participating in this survey that were classified as traditional formats fit into the definition of a superstore in two respects: size and volume. The distinctions are in service/specialty departments and expanded general merchandise and H&BA departments.

Nevertheless, despite the conventional store format's heavier

Where shoppers shop

% of shoppers who regularly patronize format



*Includes convenience food store, small corner grocery, etc.
Source: Lebhar-Friedman Research

Why they shop their favorite stores

	Convenience	Price	Quality	Variety, selection	Well laid out, clean stores	Helpful service
Traditional	53.8%	51.3%	47.9%	22.2%	30.8%	20.5%
Warehouse	84.6	92.3	23.1	38.5	—	7.7
Box	51.2	49.8	36.6	36.6	29.3	17.1
Combination	51.1	22.2	44.4	51.1	24.4	17.8
Superstore	60.8	39.2	29.4	27.5	19.6	17.6
All stores	54.6	48.7	38.6	31.7	24.8	18.0

Source: Lebhar-Friedman Research

food orientation, a disproportionate number of shoppers still don't feel it lives up to their expectations when it comes to providing everyday low prices. To their credit, though, conventional stores outscore all others in delivering special sales. In fact, it's the *only* format in which the performance more than measures up to the expectation in this particular dimension.

On whole, then, it seems that traditional stores, which have always sought to satisfy the great masses of typical American shoppers, and warehouse outlets, which have cornered an evolving trend toward shopping without the frills, both have a better fix on what makes customers content than their more exotic rival formats.

Certainly, they have a better fix than the languishing box store, which emerged from the survey with the lowest satisfaction ratings.

Forget the fact that shoppers voiced disenchantment with practically every area measured; the lifeblood of the limited assortment store is saving its patrons money with everyday low prices, and even here it failed miserably. In fact, only one out of two shoppers believes the box store lives up to this promise.

Surprisingly, the one expectation this format meets better than anticipated by shoppers is convenient hours, since it's imperative that labor be kept at a minimum in order to be effective. But, then, considering how ineffective the box store is in luring shoppers on a regular basis, it's little wonder operators are keeping their doors open late into the night. ☐

Reading the numbers on format selection

Conventional supermarkets may account for approximately 80% or all the supermarket units currently in existence, but surprisingly, given the ubiquitous nature of the conventional supermarket, this format is chosen by fewer than four out of every 10 shoppers as a "regular" food store.

Combination and superstore operations together are favored by only three out of every 10 shoppers as a "regular" food store; box, warehouse and other food outlets like convenience stores share the rest.

To all but the combination store shopper, price and convenience are the two main reasons given for choosing a favorite store.

Combination store shoppers like convenience, but they are almost indifferent to price: only two out of every 10 first-choice combo store shoppers mentioned it as a reason for choosing a combo as their regular store. Combo shoppers are concerned rather with convenience and variety of selection. They also share one other characteristic that sets them apart from all other shoppers: Clearly one-half care about the presence of a variety of service departments in the stores they shop. In contrast, only three out of 10 traditional and superstore shoppers share this value, and fewer than two out of 10 box and warehouse shoppers do.

Superstore and traditional store shoppers are much closer to the "average shopper" than combo store shoppers. Shoppers of both formats share an important, almost equal, emphasis on quality produce,

Where shoppers make fill-in visits

Other stores shopped

Regular shoppers at:	Traditional	Warehouse	Box	Combination	Superstores	None	Other
Traditional	42.7%	7.7%	9.8%	31.1%	15.7%	17.9%	18.8%
Warehouse	9.4	—	—	2.2	—	23.1	15.4
Box	4.3	—	4.9	2.2	23.5	24.4	29.3
Combo	8.5	53.8	2.4	—	15.7	24.4	20.0
Superstore	11.1	7.7	34.1	33.3	2.0	33.3	19.6

Source: Lebhar-Friedman Research

CSA Consumer Survey

SELLS THE
NATIONAL
BRANDS
YOU KNOW
AND TRUST
San
FOOD
Warehouse

*Survey **shows** the warehouse store comes closer than any other format to meeting shopper expectations in almost all critical areas.*

Who shops where

	Traditional	Warehouse	Box	Combo	Superstore
Employed	48.7	84.6	41.5	57.8	56.9
Unemployed	51.3	15.4	58.5	42.2	43.1
Single	41.9	61.5	29.3	31.1	43.1
Married	58.1	38.5	70.7	68.9	56.9
Mean household size	2.7	2.4	2.9	2.8	2.7
High school or less	48.7	7.7	61.0	24.4	33.3
College or more	51.3	92.3	39.0	75.6	64.7
Mean age	46.3	26.8	44.0	36.9	38.1
Average income	$21,000	$26,000	$18,000	$30,500	$25,700

Source: Lebhar-Friedman Research

quality meats, low everyday prices and variety of selection.

Traditional shoppers seem to be the most balanced in their assessment of what motivates them to choose a favorite food store. To a traditional store shopper, price, convenience and quality are almost equally weighted top priorities. A well-laid-out, clean store, helpful service and a varied selection are also important considerations.

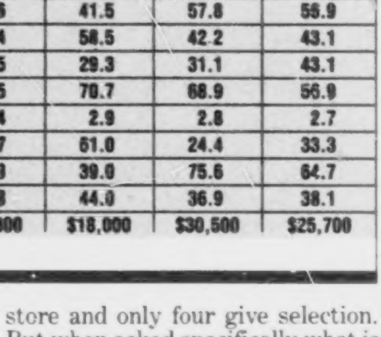
Superstore shoppers, however, are more skewered to convenience. Six out of every 10 say they choose a favorite store for its convenience. Only four out of 10 mention price, fewer than three out of 10 choose quality or selection and fewer than two say they care that much about a well-laid-out store or helpful service.

As expected, warehouse shoppers give the most emphasis to price, but eight out of 10 also say that convenience is important. Only two out of 10 mention quality as their reason for choosing a favorite store and only four give selection. But when asked specifically what is extremely or very important to them in shopping a particular store, 10 out of 10 warehouse shoppers say it is quality produce, everyday low prices and variety. Eight out of 10 say quality meats and nine mention convenience.

Box store shoppers, oddly enough, are right in line with the norm when it comes to convenience, price, quality and even selection. The only thing they seem willing to forego are service departments.

Shoppers spend the least in box stores

Monthly average expenditure



Source: Lebhar-Friedman Research

However, there are two very interesting parallels between box and superstore shoppers. Both do much of their supplemental food buying in each other's stores.

Since superstores are particularly aggressive in featuring promotions and exceptionally competitive in couponing and deal pricing, and since box stores offer "no-frills values," it is possible that their shared shopper is the epitome of the bargain hunter, even more so than the warehouse shopper who stresses low everyday prices.

The warehouse shopper, surprisingly, does her supplemental shopping at a combination store, the format most commonly perceived as not offering low prices.

Among all five formats, superstores have the most exclusive shoppers. More than three out of 10 superstore patrons do all their food buying in the superstore alone. When a superstore shopper does make a supplemental visit, however, it is generally *not* to a superstore: Only 2% of the superstore shoppers interviewed by *CSA* say they went back to the same type format for a fill-in visit.

Four out of every 10 traditional store shoppers, on the other hand, do go back to the traditional store for a supplemental trip. They also make the most supplemental visits; only 17% said they shop one store exclusively. ☐

BBQ: cooking up a summer storm

After the harshest winter in recent history, the arrival of summer is being anticipated with more than the normal amount of relief. For retailers, one of the clearest signals of the warmer weather is the revival of barbecue-related items.

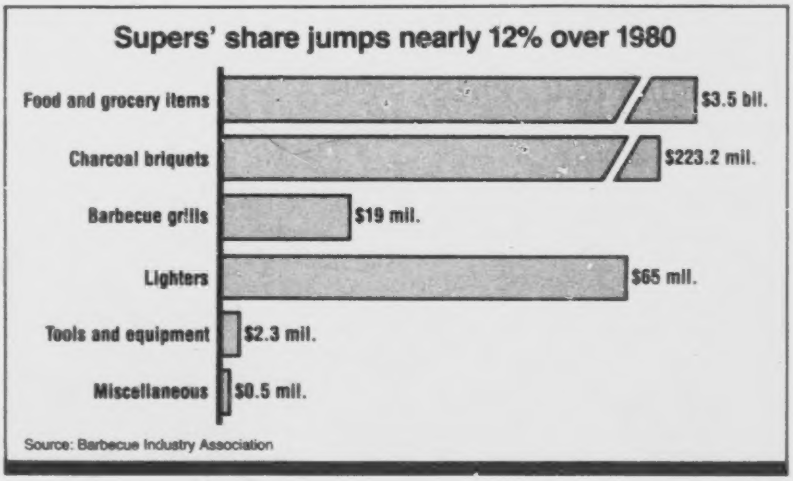
Last year, total sales of barbecue items in supermarkets increased over 11.8%. And based on the early season sales to date, 1982 is going to be the hottest year ever for the burgeoning category.

The appeal of barbecue season to retailers is not mysterious. According to the Barbecue Industry Association, over 50 items offered by supermarkets are used during family barbecues. Typically, a shopping trip for charcoal briquets, lighter products and related food and non-food items averages between $35 and $40. Purchase of a new grill can send that tab well over $100.

The much-ballyhooed baby boom generation—25-44 age group—is the key factor behind the strength of barbecue sales; they are the heaviest users of barbecue products. And their numbers are growing. By the end of the decade, baby boomers will represent 32% of the total United States population, some 77.6 million people.

The barbecue buyer for Publix Supermarkets in Florida, Frank Lankford, echoes the sentiments of many retailers when he points out that this rapidly growing segment of the population has a strong impetus toward becoming barbecue customers. "With the price of gas and growing expense of everything associated with being mobile, it makes economic sense to have a barbecue party with your friends and neighbors, rather than driving 20 miles to go out and eat," he says.

When stocking *up for a barbecue, shoppers typically spend in excess of $35 on each trip.*



Supers' share jumps nearly 12% over 1980

Source: Barbecue Industry Association

Adding fuel to the category is the fact that more and more people are associating outside cooking with wholesomeness. "There's been a resurgence of old-fashioned values, the back-home family-type of thing," says a buyer for a Midwestern chain.

The largest volume increase has been in grills, up 8% in 1981 over 1980. But selling grills presents a bit of a quandary. The hottest area of grill sales is among the gas-style grills, and the problem they present is twofold.

First, they are expensive. Though high margins go hand-in-hand with high-ticket general merchandise, some retailers express a reticence to carry items that sell for hundreds of dollars. They're costly to inventory, and retailers are uneasy about their appeal in the supermarket environment.

Secondly, though the purchase of a gas grill means a handsome one-time profit for retailers, their permanent lava coals and electric start-up undermine lucrative repeat sales of charcoal briquets and lighter products. In 1981, supermarket sales of briquets amounted to nearly a quarter-billion dollars, and lighters, $65 million.

"Yes, gas grills are becoming more popular," admits Publix' Lankford, "but the grills we sell use lighters and briquets because we're in the business of selling those items, too. Actually, in our promotions we emphasize items that are disposable, items that once a shopper has bought a grill, they have to come back to repurchase."

One of these disposable items is aluminum foil, and Reynolds, the market leader, is positively bullish on barbecue.

To help promote sales, Reynolds is kicking off a huge advertising and promotional campaign this month. The program will include an in-depth manual for outdoor cooking offered at a discount price through shelf-talkers, discounts on heavy-duty foil and a tie-in deal for a free bag of Kingsford Charcoal.

With today's stay-at-home lifestyle and economy, barbecue sales may well swelter through the summer. An industry spokesman says 1982 has gotten off to such a good start that manufacturers are racing to keep up with the demand. ☐

Hosiery gives supers a leg up

One of the few bright spots in nonfoods merchandising today is hosiery. Thanks to new product introductions over the last two years, supermarkets today are now enjoying a bigger-than-ever share of the hosiery market—mostly at the expense of department stores.

Upgraded lines have boosted sales, gross dollars and overall share of category.

Total hosiery sales in food stores jumped 24% to $507 million in 1981, up from $410 million in 1979. Supers' share increased by 25%; food stores now own at least 25% of the total hosiery market, according to *Chain Store Age Supermarkets* research.

About two years ago, L'eggs introduced Sheer Elegance, and No nonsense came up with Ultra Sense. Priced above $2 and made more sheer than the companies' regular lines, both products were designed to compete with comparable department store pantyhose priced between $4 and $7. If successful, the new upscale lines would boost supermarket share of the hosiery market as department store pantyhose shoppers switched loyalties. Did it work?

"Definitely," says Pete Hall, chain general manager of Bob's IGA in Kansas City, Mo. "We've tracked product movement on our computer printouts. It shows we've experienced a 40% increase in pantyhose sales" since the new product introductions.

Bob's IGA devotes 8 running feet to pantyhose, with remote displays once every six weeks. The chain promotes only the national brands, using bonus packs, cents-off coupons and self-standing shipper displays. Hall says he advertises only the national brands, six times a year.

As name brand pantyhose sales increase, the downplaying of private label is becoming common for many chains. Like Bob's IGA, Baltimore-based Foodarama promotes only national brands. "People can't relate to private label prices," says Avi Hershkowitz, nonfoods buyer for the 36-unit chain. "They've never heard of the name, so they don't know if the advertised price is a good value or not."

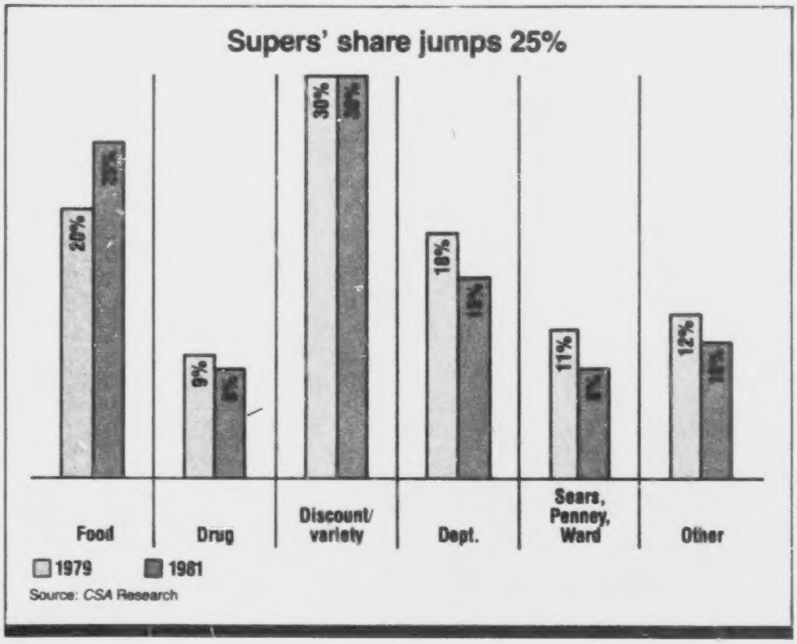
But another Foodarama, in Freehold, N.J., isn't as quick to dismiss the value of private label. "We're very proud of our quality private label pantyhose," says Robert Condon, vice president of sales and merchandising for the 36-unit chain. He says 35%-40% of total pantyhose sales is attributed to private label and generics. The chain has increased hosiery space by 200% over the last five years.

So great is the success of the upscale L'eggs and No nonsense that even private label marketers may be getting into the act.

In addition to new product introductions, better manufacturer support also contributes to the increase in pantyhose sales. "The biggest improvement in the hosiery business is that L'eggs has finally seen fit to offer ad allowances," says Fred Hagey, nonfoods buyer for Sacramento-based Raley's supermarkets. The 40-unit chain allots an average of 20 ft. to hosiery: 8 ft. to L'eggs, 4 ft. to No Nonsense and 8 ft. to private label (anything other than name brands, according to Hagey).

Ironically, the success of national brands is sometimes at the expense of profit. "We actually make more money on private label," Hagey says, "so as name brand sales increase, it does eat into our profits a certain amount. But hopefully the advertising support L'eggs is offering will offset the loss in profit dollars."

As the upscale sheer products take the hosiery business by storm, there is one pantyhose line that appears to be quietly on its way out: built-in panty hosiery. "That market is indeed declining," says Don Folger, director of marketing for L'eggs. ☐



Source: *CSA Research*

Vitamin sales anything but deficient

With Houston shoppers, quality counts most

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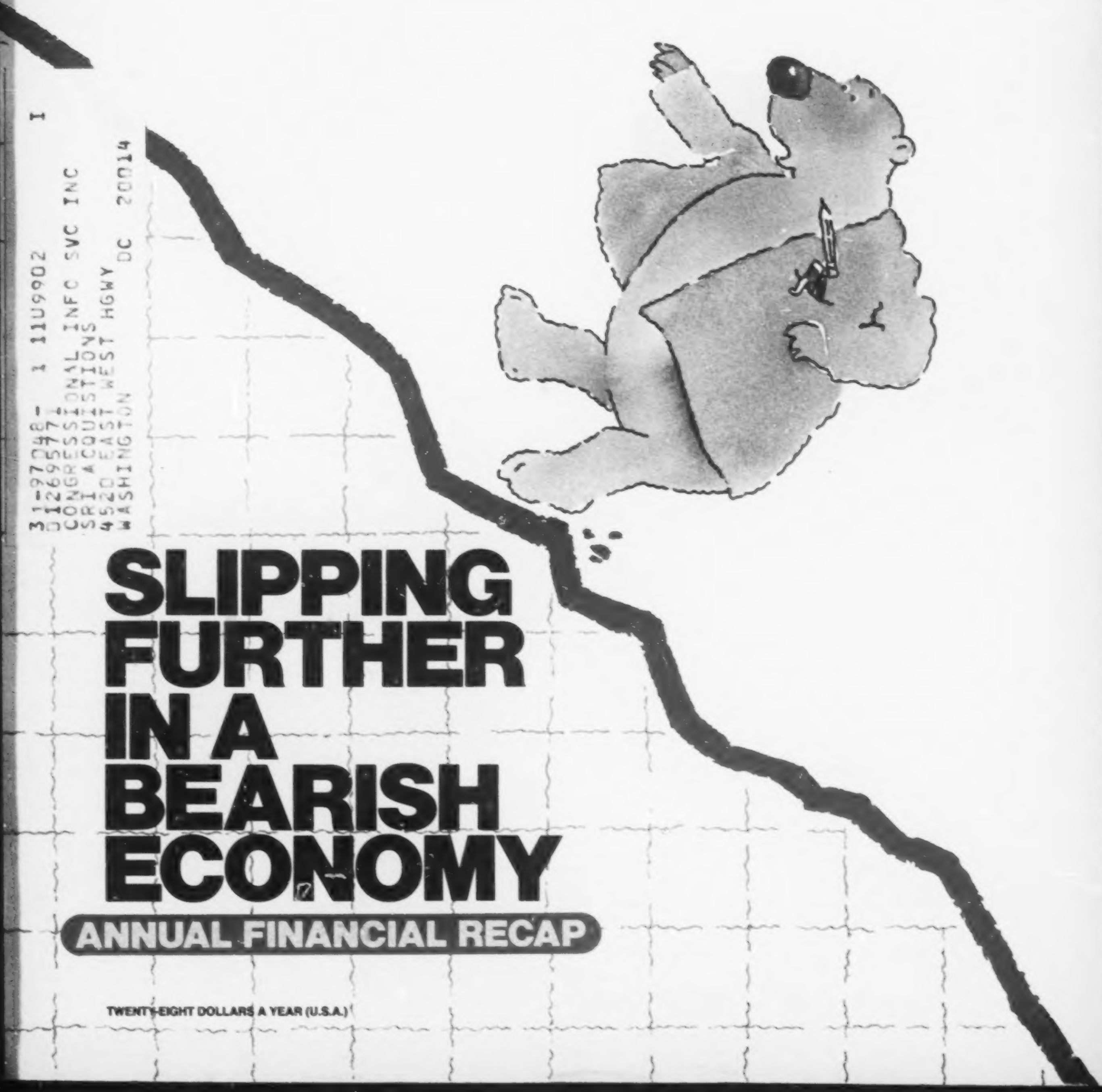

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SLIPPING FURTHER IN A BEARISH ECONOMY

ANNUAL FINANCIAL RECAP

TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

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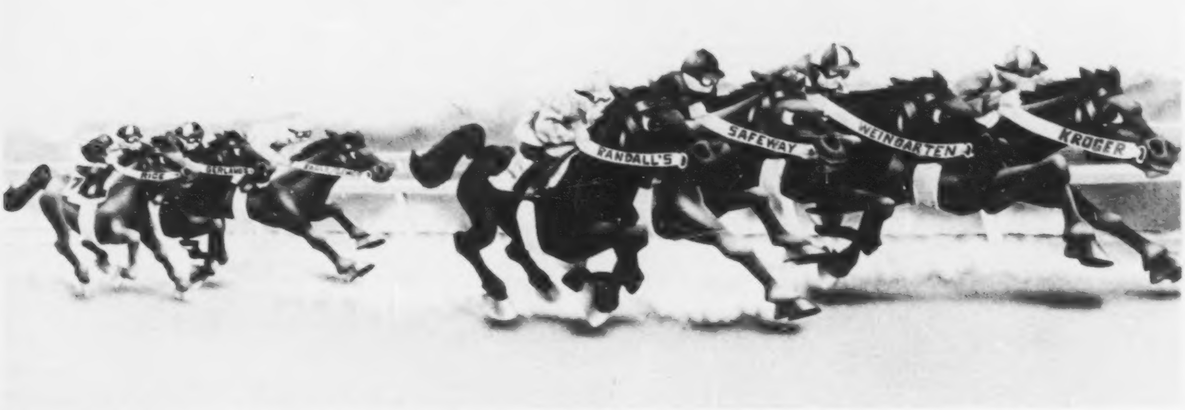

Special Report: Hard-driving Kroger has the highest market share in Houston, but home-bred Randall's boasts the most satisfied shoppers. Find out why Randall's is coming on so strong, in the third installment of *CSA*'s ongoing Consumer Attitude Study 48

On the Cover

Many chains are slipping in this bearish economy; *CSA* profiles 10 billion-dollar food chains that are managing to cope and takes a hard look at the year ahead 25

Safeway loses more ground in fight for market share 30

Kroger concentrates on the Sunbelt and combos 32

Winn-Dixie slow new store development, turns to renovation and enlargement 33

Jewel's growth is fueled by combo and drug stores 35

Grand Union reformats stores—and management 36

Albertson's find basics are a bonanza as it trims the fat 43

Pathmark gains in tough markets, solidifies its position 44

Dillon, rock steady and growing, builds cash reserves 45

Publix holds solid, eyes expansion without borrowing 46

Giant Foods profits singed in regional price war 47

Industry News

On the labor front: Are the unions in a giving mood this year? 20

Merchandising News

GM/H&BA Extra: what—and who—is new in nonfoods 55

Vitamins: teaching shoppers—and retailers—the ABC's 59

Departments

Viewpoint
by Larry Schaeffer 5
Express Checkout 9
Super People 17
On Management
by Fritz Biermeier 18
GM Report
by Allen "Bud" Levis 65
Equipment Focus 66
What's New 68
Scan Analysis 72

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Slipping further in a bear economy

The good news: The supermarket industry remains relatively recession-proof. The bad news: Relatively is not the same as absolutely.

With a vengeance normally reserved for more volatile businesses, the bear economy struck the food industry last year suppressing any real sales growth and depressing profits. There were a few exceptions, but the awesome weight of inflation tipped most balance sheets in the wrong direction.

Yet, if food retailers found little to cheer about in 1981, they're finding this year shaping up as downright obscene. While many operators managed to escape with some serious retrenching and fat-trimming, a scary number in the early months of '82 have been pressed to the brink of bankruptcy.

All the industry apparently has to do is put a halt to price wars, discontinue double couponing, evict generics and convince consumers to stop trading down. Once that's accomplished, food retailers need only contend with high interest rates that are slamming the door on new store openings, labor costs that are greedily nibbling away at productivity ratios and energy bills that are sapping whatever profits remain from an already anemic bottom line.

With obstacles like these to surmount—and the chances for a speedy recovery slim—it's safe to say that the year ahead will have little resemblance to the post-1974 boom. In fact, until the recession bottoms out, interest rates fall and operating costs temper, *stagnation* may be the most realistic goal for many operators in 1982.

The one element of the economy that is showing dramatic improvement is inflation, a pattern that most experts expect to continue reversing through the balance of the year. The only snag here is that increases in operating costs will probably outpace sales gains, resulting in even further pressure on an already tenuous profit margin.

It was bad enough having to retrench; now many chains are facing bankruptcy

Power erosion: While the industry as a whole is a business under stress, no one group has been more dramatically brought to its knees than the major chains. With a few notable exceptions, these giants are finding that bigger isn't necessarily better. No-frills warehouse stores, with their rock-bottom prices, and regional chains and independents, with their rapid adaptation to changing conditions, have unmercifully chipped away at the major chains' shares. The options for the big guys: Either pull out all the stops and engage in an all-out price war, or pack up and leave town. The prognosis: Unlike last year, when most major chains opted to stay and fight, a growing number in '82 will most likely bow to the locals and go elsewhere.

That's not to say that the turf-protecting tactics of the past couple of years won't persist in the months and years ahead. Indeed, the near-lethal price wars between existing superstores and emerging warehouse outlets is bound to turn even nastier as consumers intensify their search for ways to economize.

Testing the food retailer's durability further, the popularity of generic items is steadily pecking away at the pulling power of national brands. Most grocery men have resigned themselves to the fact that, for better or worse, these black and white labels are now permanent fixtures in their stores. How much deeper a share they carve will depend largely on the effect of "deflation" on higher-priced name brands.

With all this uncertainty, it's easy to understand why operators are acting with caution with every step they take. After all, stronger industries have been known to stumble.☐

—Larry Schaeffer

The gap narrows more

Few billion-dollar companies have been the subject of more doomsday prophesies in the past year than Safeway Stores. But while its pending demise has been greatly exaggerated, the fact remains that the nation's leading food chain is witnessing a steady erosion of market share.

Confronted with stepped-up competition in all of its major trading areas, Safeway turned aggressive in 1981 in a valiant—but not altogether fruitful—bid to maintain its customer base. The result: Sales, after adjusting for inflation, just barely edged upward, forcing the giant to accept for the third straight year a leaner slice of the total sales pie.

The most startling development—not unexpected, just startling—was A&P's drop from the No. 3 perch to No. 5. The ailing chain, committed to a massive retrenchment, realized zero sales growth—and that's before adjusting for inflation. Along the way, a healthy American Stores swapped ranking with A&P.

While last year's top three food chains found the going rougher, the back half of the group each managed to inch upward. Consequently, overall market share of the top 10 increased slightly over 1980.

Top 10 by market share

	1981 rank	% 1981 market share	1980 rank	% 1980 market share
Safeway	1	8.3	1	8.5
Kroger	2	5.7	2	5.8
American	3	4.0	5	3.6
Lucky	4	3.6	4	3.6
A&P	5	3.5	3	3.9
Winn-Dixie	6	3.4	6	3.0
Jewel	7	2.6	7	2.4
Grand Union	8	2.1	8	2.0
Albertson's	9	1.8	9	1.7
Pathmark	10	1.5	10	1.5
Total		36.5		36.0

Source: *CSA Research*

Pick the best-managed chain

What's your choice for the best-managed billion-dollar chain of 1981?

Enter your selection on the postcard on this page and you may walk away with five shares of the top-performing company.

Last year, Giant Food eked out a narrow victory over the two previous winners, Publix and Albertson's. Will the Landover, Md.-based chain recapture the coveted title? Is there a dark horse in the running?

You'll know the answer next month. In the meantime, here's the list of weighted yardstick formulas *CSA* editors will use to determine performance rankings: (1) ROA, (2) ROE, (3) compound growth rate, (4) financial leverage ratio, (5) long-term debt/equity ratio, (6) capital investment (% of sales), (7) operating income (% of sales), (8) accounts payable/inventory, (9) sales per store, (10) sales per employee, (11) current assets/liability ratio.

Rank	Chain	1981 sales volume (000 omitted)	1980 sales volume (000 omitted)	% change
1.	**Safeway**	$16,580,300	$15,102,673	9.8
2.	**Kroger**	11,266,520	9,030,000	9.2
3.	**American Stores**	7,960,590	6,419,884	23.9
4.	**Lucky**	7,201,000	6,468,682	11.3
5.	**A&P**	6,990,316	6,989,529	0.0
6.	**Winn-Dixie**	6,800,000*	6,200,000*	9.7
7.	**Jewel**	5,107,614	4,267,922	19.7
8.	**Grand Union**	4,137,463	3,527,540	17.2
9.	**Albertson's**	3,480,570	3,039,128	14.5
10.	**SGC (Pathmark)**	3,000,000	2,630,000	14.1
11.	**Dillon**	2,520,000*[1]	2,077,256	16.2
12.	**Publix**	2,385,000	2,168,000	10.0
13.	**Stop & Shop**	2,168,148	2,059,183	5.0
14.	**Vons**	2,000,000	1,800,000	11.1
15.	**First National**	1,800,000*	1,259,700*	42.9
16.	**Giant Food**	1,683,881	1,483,476	13.5
17.	**Fisher Foods**	1,492,709	1,412,962	5.6
18.	**Waldbaum's**	1,375,787	1,271,000	8.2
19.	**National Tea**	1,300,000*	1,219,304	6.6
20.	**H. E. Butt**	1,300,000	803,000	61.9
21.	**Pantry Pride**	1,225,263	1,124,067	9.0
22.	**Fred Meyer**	1,187,500*	972,818	22.1
23.	**Ralphs**	1,132,100	980,800	13.4
24.	**Red Owl**	1,000,000*	730,000	37.0
25.	**Borman's**	976,940	948,145	3.0
26.	**Cullum**	974,934	864,974	12.7
27.	**Hy-Vee**	875,000	770,000	13.6
28.	**Scrivner**	864,000	650,000	32.9
29.	**Smith's Mgmt.**	785,000	625,000	25.6
30.	**Weis**	756,800	684,814	10.5
31.	**Bi-Lo's (S.C.)**	725,000	610,000	18.9
32.	**Foodtown (N.C.)**	666,848	543,883	22.6
33.	**Schnuck's**	650,000	575,000	13.0
34.	**Kohl's**	650,000*	500,000*	30.0
35.	**Raley's**	610,000*	540,000	13.0
36.	**Allied**	609,384	534,833	13.9
37.	**Big Bear**	598,000[2]	511,000	17.0
38.	**Stater Bros.**	565,000	489,000	15.5
39.	**Price Chopper**	550,000*	485,000	13.4
40.	**Purity Supreme**	535,000*	500,000	5.0
41.	**Food Giant**	524,316[3]	500,000	4.9
42.	**Arden Group**	517,000	509,628	1.4
43.	**Furr's**	504,000	620,000	(−18.7)
44.	**DeMoulas**	510,000	470,000	8.5
45.	**Thriftimart**	505,957	473,460	6.9
46.	**Giant Eagle**	500,000*	450,000	11.1
47.	**Delchamps**	490,000*	350,000*	40.0
48.	**Bruno's**	488,294	404,855	20.6
49.	**Chatham**	475,000	475,000	0.0
50.	**Wegman's**	470,000*	420,000*	11.9

Source: All data is as stated in annual reports, S.E.C. 10K Forms and other financial statements. Estimates (indicated by an asterisk*) are used in the absence of published data.

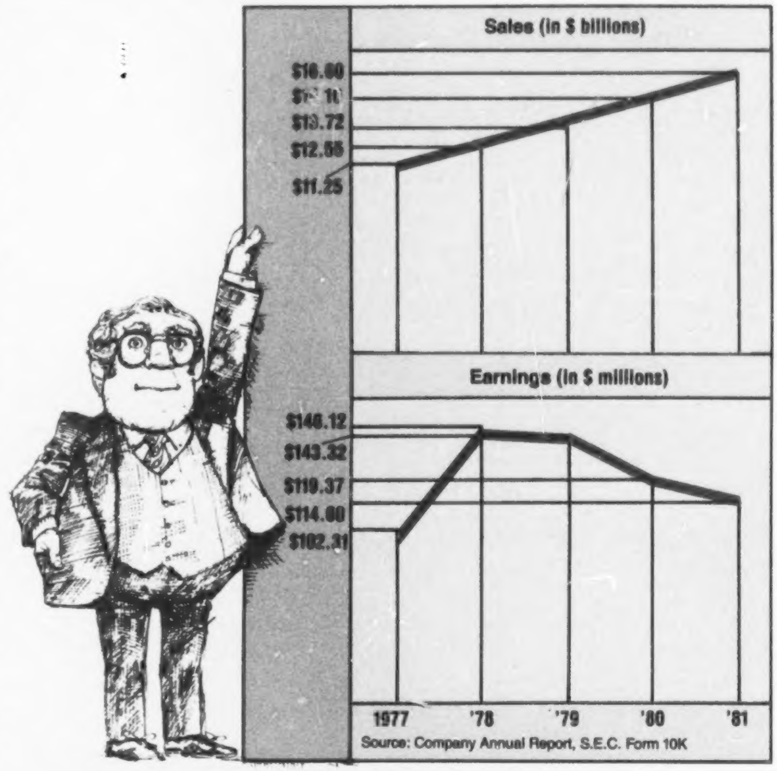
The top 100 food chains

1981 earnings (000 omitted)	1980 earnings (000 omitted)	% change	Rank	Chain	1981 sales volume (000 omitted)	1980 sales volume (000 omitted)	% change	1981 earnings (000 omitted)	1980 earnings (000 omitted)	% change
114,600	$ 119,368	(– 3.9)	51.	**Nash-Finch**	$468,085	$412,890	2.1	9,082[4]	9,892[4]	(– 8.2)
128,045	94,386	35.7	52.	**Super Valu**	466,600	392,000	19.0	n/r	n/r	n/r
64,552	51,553	25.2	53.	**Big V**	456,448	407,872	11.9	6,439	5,128	25.6
37,991	90,458	(– 58.0)	54.	**Pueblo Int'l**	452,823	396,600	14.2	3,009	3,370	(– 10.7)
(– 31,600)	(– 43,049)	—	55.	**Peter J. Schmitt**	451,849	186,082	142.8	n/r	n/r	n/r
103,000	100,000	3.0	56.	**Sentry**	447,136	408,345	9.5	2,665	2,588	3.0
101,670	55,893	81.9	57.	**Smitty's**	442,286	373,053	18.6	n/r	9,705	n/r
29,600*	35,310*	(– 16.2)	58.	**Shopwell**	433,133	384,559	12.6	1,217	1,125	8.2
48,478	41,621	16.5	59.	**Seaway Foodtown**	428,510	357,113	19.9	5,203	4,587	11.8
30,256	26,100	15.9	60.	**Foodarama**	421,508	412,890	2.1	803	(– 1,279)	—
39,200*	27,397	43.1	61.	**King Kullen**	410,309	359,910	14.0	1,959	1,401	39.7
40,041	37,207	7.6	62.	**Harris-Teeter**	401,002	362,730	10.6	7,100[4]	6,900[4]	2.8
24,531	12,163	101.7	63.	**Shaw's**	400,000	358,800*	11.4	n/r	n/r	n/r
20,000	15,992	25.1	64.	**Hughes**	400,000*	350,000*	14.2	n/r	n/r	n/r
n/r	n/r	n/r	65.	**Penn Traffic**	388,806*	369,075	5.3	4,037*	5,379	(– 24.9)
16,769	18,308	(– 8.4)	66.	**A. J. Bayless**	384,038	368,521	4.2	2,492	2,550	(– 2.3)
21,133	6,703	215.3	67.	**Schwegmann**	380,000*	355,000*	7.0	n/r	n/r	n/r
10,376	10,800	(– 3.9)	68.	**Meijers**	350,000*	200,000*	75.0	n/r	n/r	n/r
n/r	n/r	n/r	69.	**Tamarkin**	350,000*	225,000*	55.6	n/r	n/r	n/r
n/r	n/r	n/r	70.	**Ingles**	343,860	289,000*	18.9	3,931	n/r	n/r
150,154	22,573	565.2	71.	**Schultz Sav-O**	336,706	305,595	10.1	1,331[4]	1,417[4]	(– 6.0)
n/r	n/r	n/r	72.	**Almac**	325,000*	275,000*	18.0	n/r	n/r	n/r
n/r	n/r	n/r	73.	**The Boys**	320,000*	300,000	6.0	n/r	n/r	n/r
n/r	n/r	n/r	74.	**Red Food**	305,000*	261,264*	16.7	n/r	n/r	n/r
(– 3,462)	33,000	—	75.	**S. M. Flickinger**	302,353	203,967	48.2	n/r	n/r	n/r
13,645	11,290	20.9	76.	**Randall**	300,000*[1]	274,000	9.4	n/r	n/r	n/r
n/r	n/r	n/r	77.	**Fred W. Albrecht**	300,000*	240,000*	25.0	n/r	n/r	n/r
n/r	n/r	n/r	78.	**Victory Markets**	300,859	275,924	9.0	1,012	719	40.7
n/r	n/r	n/r	79.	**Tradewell**	300,756*	299,913*	0.3	n/r	n/r	n/r
37,989	33,091	14.8	80.	**Jitney Jungle**	300,000*	246,000*	21.9	n/r	n/r	n/r
n/r	n/r	n/r	81.	**Mayfair Foodtown**	292,000	279,552	4.5	780	422	84.0
19,317	15,287	26.4	82.	**Mott's**	289,343	264,794	9.3	4,744	3,817	20.0
n/r	n/r	n/r	83.	**Star Supermarkets**	281,054	274,251	2.5	1,140	2,039	(– 44.0)
n/r	n/r	n/r	84.	**Brookshire**	270,000*	250,000*	8.0	n/r	n/r	n/r
n/r	n/r	n/r	85.	**Lowes (N.C.)**	270,000*	185,000*	45.9	n/r	n/r	n/r
5,498	19,795	(– 72.2)	86.	**Village**	269,000	245,295	9.6	1,350	1,830	(– 26.2)
n/r	n/r	n/r	87.	**Country Club**	265,000*	240,000*	10.4	n/r	n/r	n/r
14,100	19,300	(– 26.9)	88.	**Piggly Wiggly (R.R.)**	260,000*	240,000*	8.3	n/r	n/r	n/r
n/r	n/r	n/r	89.	**Minyard**	255,000*	240,000*	6.2	n/r	n/r	n/r
n/r	n/r	n/r	90.	**MelMarkets**	250,000*	176,000*	42.0	n/r	n/r	n/r
n/r	n/r	n/r	91.	**Fareway**	250,000*	240,000*	4.2	n/r	n/r	n/r
4,244	4,220	0.6	92.	**Farm Fresh**	250,000*	200,000*	25.0	n/r	n/r	n/r
n/r	n/r	n/r	93.	**Milgram**	240,000*	220,000*	9.1	n/r	n/r	n/r
n/r	n/r	n/r	94.	**Food World**	240,000*	152,682	57.2	n/r	n/r	n/r
n/r	n/r	n/r	95.	**Giant (Pa.)**	226,000*	175,000*	29.1	n/r	n/r	n/r
n/r	n/r	n/r	96.	**Randall (Houston)**	219,509	165,997	32.2	n/r	n/r	n/r
4,900*	n/r	n/r	97.	**Handy Andy**	218,566[2]	259,000	(– 18.4)	n/r	n/r	n/r
9,057	7,173	26.0	98.	**Consumers Market**	216,000*	200,000*	8.0	n/r	n/r	n/r
(– 2,950)	500	—	99.	**Houchens**	210,000*	200,000*	5.0	n/r	n/r	n/r
n/r	n/r	n/r	100.	**Laneco**	209,000	182,991	14.2	1,350	60	2150.0

[1] Supermarket operations only
[2] Total company sales
[3] Ended Jan. 31, 1981
[4] Operating profits

Safeway loses more ground

In its fight to gain market share, chain is trading short-term profits for long-term goals



Source: Company Annual Report, S.E.C. Form 10K

How fast can a battleship be turned around?

The answer may well determine Safeway's future. Two years ago, when Peter Magowan became chief executive, he vowed that the company would be more aggressive, more creative and innovative.

And he delivered on his promise, transforming bare and existing marginal sites into Food Barns, Liquor Barns, gourmet stores, superstores and combos.

Specialty departments came on line, too, in the form of nutrition centers, pharmacies, in-store bakeries, cheese shops, service delis, photo and gift centers.

But will the turnaround come before the chain is seriously wounded? Although sales increased 9.8% in fiscal '81 from $15.1 billion to $16.6 billion, net income dropped 4%, from $119.4 million to $114.6 million.

The decline in corporate net income has something of a rose-colored tint because it represents an improvement over fiscal 1981's 17% drop-off. However, foreign operations literally provided a safety net.

Safeway doesn't reveal net income from foreign operations (517 stores in Canada, Britain, Australia and Germany), but it is substantial, as is sales volume. In 1981 foreign sales passed $4 billion, a 16% gain over 1980, and accounted for almost one-fourth of total corporate volume. This has encouraged the chain to extend its international frontiers to Saudi Arabia, Mexico and Japan.

Still, three-quarters of Safeway's sales and profits are generated domestically—and that is where Safeway's profit picture goes out of focus. United States earnings were down 39% in 1981, followed by 31% decreases in both 1980 and 1979.

The inevitable fallout, of course, is loss of market share. During the past five years, Safeway has lost valuable ground in Portland, Los Angeles, Salt Lake, Des Moines, Kansas City, Washington, D.C. and Denver.

During the period, the chain gained market share points in Phoenix, Houston and Baltimore and remained dominant in Seattle, San Francisco Bay, Dallas and San Diego, although dropping one point in San Diego and three in Dallas.

To staunch the hemorrhage, Safeway is promoting harder—but that means more markdowns, which puts further pressure on profits.

Still, the commitment, as evidenced by new stores, is there. Despite the current economic malaise, the chain has targeted $500 million annually for capital expenditures. Ninety stores are now under construction.

This doesn't stop second-guessers from analyzing what went wrong in the past. One of the recurring themes is nonfoods. Observers say that if Safeway had not been afflicted with acute myopia, it would have recognized Denver as a microcosm of the industry's nonfoods thrust years ago. In that market King Soopers, operating superstores heavily weighted with nonfoods, swept Safeway out of the top spot they had held for years.

It's not that Safeway failed to enter the nonfoods sweepstakes early enough but that its vehicle in the 60's was Super S Drugstores—not expanded nonfoods in supermarkets.

At Safeway, management hopes "better late than never" can stem the tide. ☐

BILLION-DOLLAR PERFORMERS

Kroger concentrates on the Sunbelt

Behind a continuing commitment to the combination store, and aggressive expansion in the Sunbelt, the Kroger Co. juggernaut marched on in fiscal 1981. Last year marked the sixth consecutive year of record sales and earnings for the nation's second-largest food chain.

In the last decade, Cincinnati-based Kroger has spent over $1.3 billion in upgrading and increasing the operating efficiency of its store-level operations. Last year that investment paid off again.

Sales for fiscal 1981 kept pace with inflation, up 9.2% to $11.27 billion, a $950 million increase over 1980 sales of $10.32 billion.

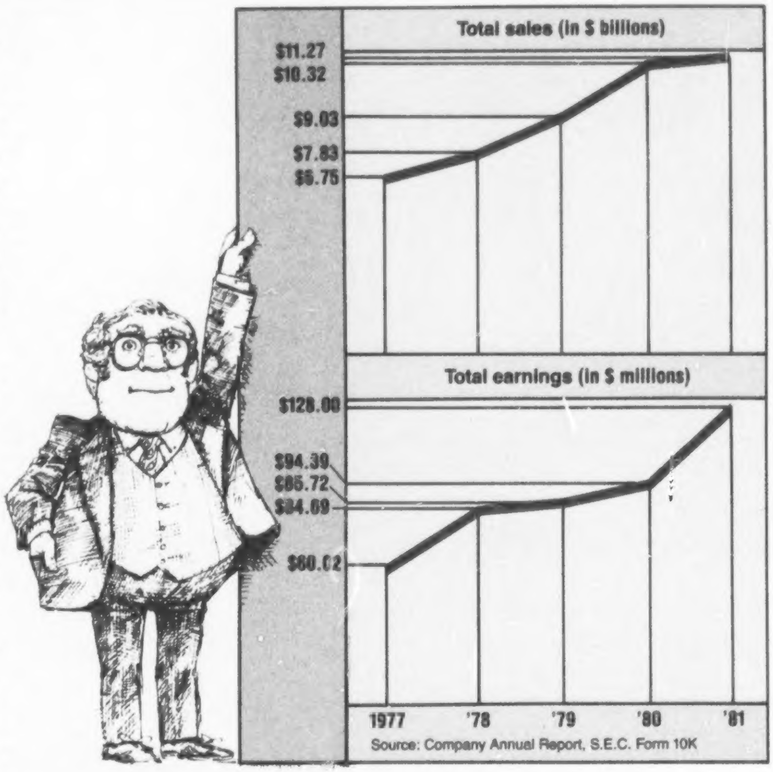
But even more indicative of the soundness of the company's strategies are its 1981 net earnings—$128 million, or $4.51 per share, a 37.7% increase over 1980's $94.39 million. Earnings from continuing operations hit $129.5 million, or $4.56 per share, a 26% increase over the previous year.

The primary cash-cow behind all these black numbers is the Kroger combination store. The prototype averages 42,000 sq. ft. and, depending on regional demographics, may have as many as 12 specialty departments including deli, floral, in-store bakeries and even a few sit-down restaurants.

In 1981, the chain closed or sold 98 stores, but opened 111 new units. Underscoring the company's faith in the combo, 40 of the new units are in this category, and all meet or exceed the standard 42,000-sq.-ft. perameter. Kroger now operates a total of 1,259 stores.

And it is in the Sunbelt, with its double-digit population growth, that Kroger is concentrating its efforts. Over half of the new units opened in 1981 were in the South, including 13 in San Antonio, where Kroger is going head-to-head with H. E. Butt.

In 1982, Kroger plans to open 80-90 stores, with two-thirds of them combos, and to remodel an additional 90 units. The majority of the new stores will be in the South, including five or six to bolster its position in San Antonio.



Source: Company Annual Report, S.E.C. Form 10K

Of the 111 new stores the chain opened in 1981, more than half are in the South

This expansion trend can be traced back to Kroger's superstore-oriented revitalization in 1972. The average Kroger outlet at that time totaled less than 19,000 sq. ft. Today, it exceeds 28,000 sq. ft. Total square footage went up 4.1 million sq. ft. in 1981 and is now at 38.5 million.

The fuel for this growth comes from largely internally generated capital expenditures that hit $260 million in 1981 and are expected to exceed $1 billion by the end of 1983.

Besides new stores, some of these monies are being used by Kroger to bring its manufacturing facilities closer to its growing presence in the South.

If there's a weak link, it's the SupeRx drug store division that's concentrated in the Southeast. While the division had 1981 sales of $686 million, up 7.5% from 1980, pretax operating profits fell 33.6%, from $9.8 million in 1980 to $6.5 million in 1981.

While part of that decline can be attributed to the cost of converting 138 of the stores into the more conventional drug-oriented Supe-Rx II format, the drop in pretax profits includes the sale of 21 drug stores in Houston.

Overall, Kroger's future looks solid. "We look forward to the coming year," says Kroger chairman of the board and president Lyle Everingham, "with the satisfaction of knowing we have prepared ourselves." ☐

Winn-Dixie slows store development

Winn-Dixie is behaving cautiously in these times of high interest rates and recession. Rather than add to its debt burden to pursue aggressive new store development or acquisitions, the chain is enlarging and remodeling existing stores.

With new store construction flat, chainwide sales are estimated to increase a modest 9.5% to $6.8 billion for the 53-week fiscal '82 period ending June 30, 1982. The rise is attributable to growing population in W-D's markets and to inflationary price hikes.

Earnings, however, are expected to be up a respectable 9% to $103 million. This will be the tenth time in the past 11 years that W-D has boosted its sales and earnings.

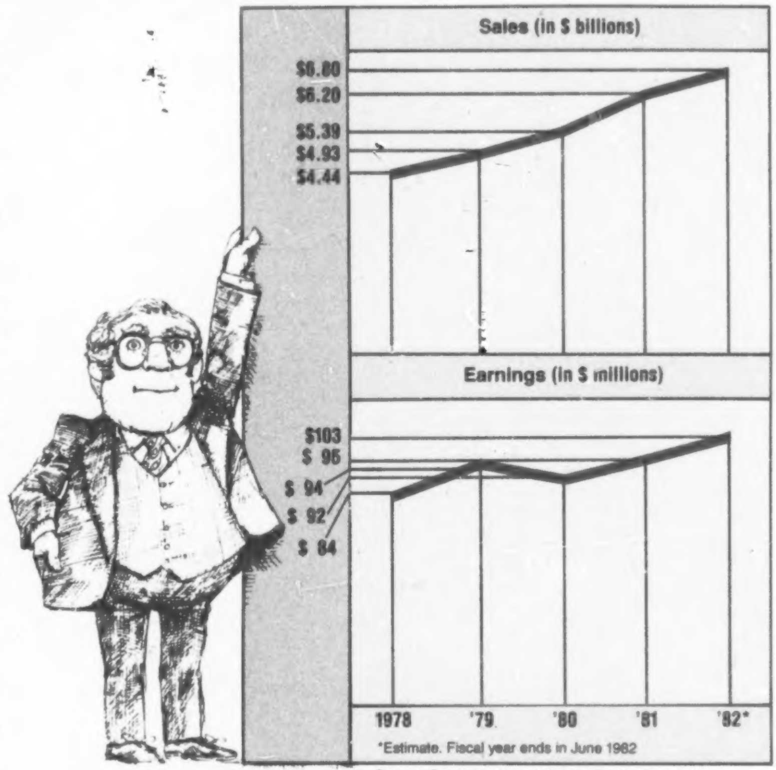
Currently, the nation's fifth-largest food chain is operating 1,220 stores in 13 states. One problem W-D must contend with is its shrinking net-to-sales ratio. Fiscal '82's should be about 1.5, the same as last year, when the figure hit its lowest point in at least a decade. Inflation and market competition from big boys like Grand Union and Publix contributed to the low ratio during the prior fiscal period; this year, a slow economy is adding to the damage.

During the fiscal year ending this month, Winn-Dixie opened only 40 stores, as opposed to 66 in fiscal '81, and closed 40 smaller stores for a net growth of zero outlets; during 1981, W-D's net gain in stores was 28.

Fiscal '83 may be more of the same. R. D. Davis, W-D's financial vice president, says new store development will resume at an aggressive rate "when the economy improves."

Over the course of the last few years, W-D has been working to increase the overall size of its stores. Last year, the average unit totaled 21,000 sq. ft.; today that figure is 22,000.

Sales per store, which still trail the industry average, are also expected to pick up. Last year, per store sales rose nearly 12% to $5.1 million, and a similar increase may be in the offing this year.



Source: Company Annual Report, S.E.C. Form 10K

Chain turns to renovation, enlargement of existing units to bolster sales performance

With Sunbelt population growth remaining high—particularly in Florida, where W-D has about one-third of its stores—management sees vast potential in its markets.

Over the long term, increased pressures to attract shoppers are bound to erode gross margins. But so far, W-D is holding its own here. Davis says the chain's gross margins will be slightly above last year's 21.1%, which was a slight dip from 21.3% and 21.4% the years before.

In fiscal '82, Winn-Dixie paid for all capital improvements with internally generated funds of $130 million, a substantial 18.5% more than last year. The improvements include a new distribution center in Sarasota and installation of scanners in about 100 stores. This raises the number of units with scanners to just over 400, from 311 at year-end '81. More were planned, but the cutback in store openings reduced the actual level.

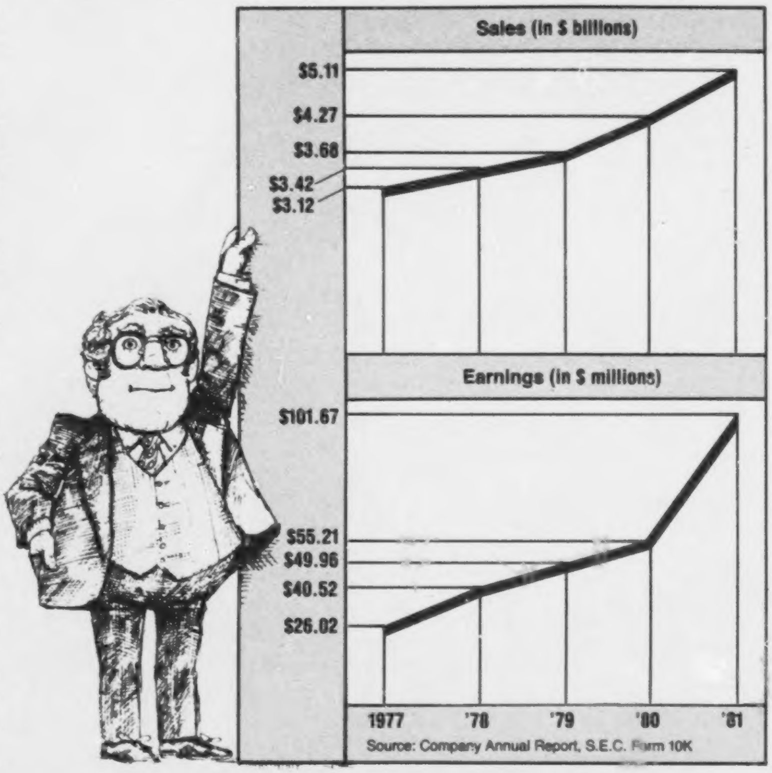
Winn-Dixie is bound to move aggressively when an economic turnaround offers opportunities. Will the chain then follow its longstanding formula of having relatively small conventional supers with meat as the main attraction? Probably. Davis says there are "no changes in marketing strategies to discuss."

But over the long term, that commitment has got to be a question mark hanging over the chain's future. ☐

BILLION-DOLLAR PERFORMERS

Combo stores fuel Jewel's growth

This groundbreaker of the combo format plans to add almost 100 more units by 1984



Source: Company Annual Report, S.E.C. Form 10K

Fueled by the dual cash-cows of its combination stores and drug operations, Jewel Cos. weathered chilly economic climes in its prime supermarket trading areas en route to a 19.7% increase in companywide sales in fiscal 1981 and a 33.1% climb in total United States earnings.

Throw in the results from Aurrera S.A., Jewel's multifaceted retailing arm in Mexico, and overall net profits stand at 84.2%.

Total sales checked in at a record $5.1 billion, of which $3.1 billion came from the chain's 53 Buttrey Food Stores, 32 Eisner Food & Agency Stores, 138 Jewel T Discount Groceries, 53 Star Markets and 207 Jewel Food Stores.

Company earnings were record-breaking, too, hitting $101.7 million in 1981 compared to $55.2 million in 1980.

The cornerstone, indeed the foundation, of the Jewel supermarket strategy is the food/drug combination store. The prototype is a 42,000-sq.-ft. unit with a heavy emphasis on specialty departments and a wide range of general merchandise under $100. And it features a common bank of checkstands for the Jewel Food operations and the company's subsidiary, Osco Drug.

Underscoring the importance of the combo to Jewel is the fact that of the $61.9 million in 1981 supermarket earnings, a full 59% came from Jewel's 85 combo units with common checkstands and 94 side-by-side food/drug stores.

The only change planned is more of the same. As a company spokesman explains, "We expect to increase the number of [common checkstand] food and drug combination stores to more than 180 by 1984 through a program of new store construction, enlargements and conversions."

There are, however, a few trouble spots in the overall picture.

Supermarket earnings did rise 13.2%, but 1980 sales of $3.02 billion hit only $3.15 billion in 1981, a meager 4.1% increase, or a 5.9% increase if the results from the Milwaukee division, which was closed in late 1980, are excluded.

That Jewel supermarkets posted increases at all is a testimony to its ability to function under adverse situations. The dip in the inflation rate hurt sales, say company officials. More significantly, the Buttrey Food Stores in the Northwest suffered from the severely depressed lumber industry, Star Markets was faced with fierce price wars in the Northeast and the flagship Jewel Food and combo stores in the Midwest had to contend with an economy undermined by the flagging auto and farm equipment industries.

Also on the downside, as chairman and ceo Weston Christopherson admits, was a disappointing performance by the 161 Jewel T stores. These limited assortment box stores, introduced in 1977, had 1981 sales of $305 million complemented by net aftertax losses of $2.5 million.

Still, the company's two drug divisions provided plenty of offsetting black ink. Dating back to Jewel's 1961 acquisition of Osco, Jewel has made a strong commitment to drug operations, a philosophy that was underscored by the 1980 purchase of Sav-On.

Last year Jewel invested $40.6 million in its two drug divisions as part of overall capital expenditures of $126.2 million. It was money well spent: In 1981, drug stores accounted for nearly $1.5 billion sales worth close to $60 million in earnings. ☐

Grand Union reformats with pizzazz

Reacting to a dim earnings picture, Grand Union made several major moves that may change the complexion of the chain significantly.

Earlier this year, the company implemented a $300 million capital development program that over the coming three years will result in the building from scratch of 60 new stores and transformation of 250 existing ones into upscale food markets with a heavy emphasis on specialty departments.

At the same time, the chain has begun decentralizing much of its 729-store network. To provide greater management flexibility and closer local scrutiny of each outlet, many divisions are gradually being split into clusters of about 30 stores each.

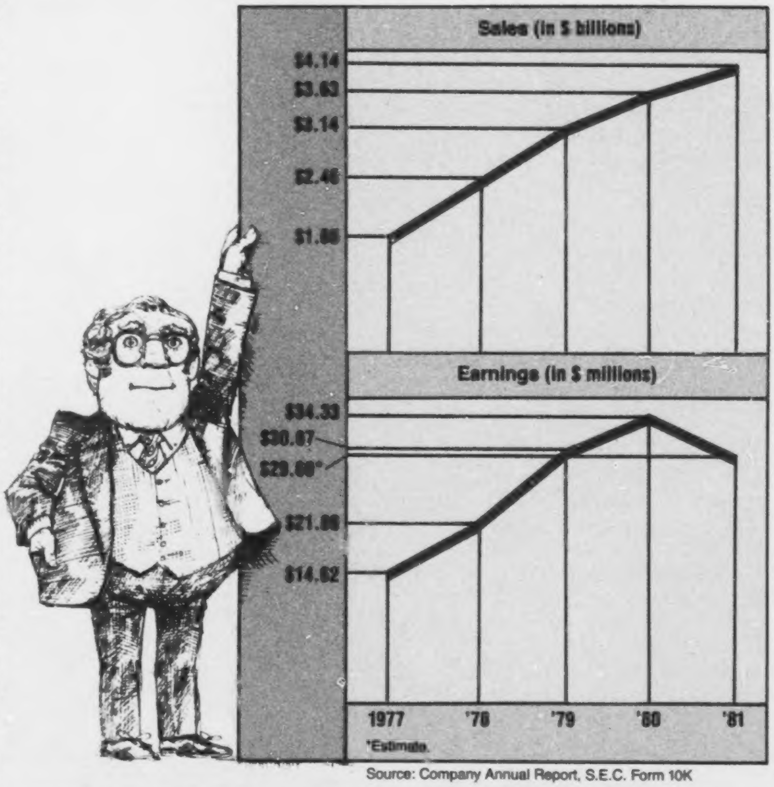
Patrick Deo, Grand Union chairman, says the reorganization is intended to position the company for "progressive growth." That may be true, but in all likelihood the chain also hopes it will help to overcome integration problems with its Weingarten stores and other new outlets.

Meanwhile, even though sales for the Elmwood Park, N.J., food chain advanced 14% to $4.14 billion in this 53-week fiscal year ended April 3, 1982, full year net earnings figures should be down a disappointing 13.8% to an estimated $29.60 million.

The closing of 37 Norfolk division Big Star supers during the fiscal year's final quarter, along with the economic recession, contributed to a lackluster end-of-year performance.

This year's bottom line, however, will be helped by two major extraordinary items: pretax income of $8.58 million from real estate transactions with Cavenham Holdings Inc., one of Grand Union's parent companies, and a $5.39 million tax liability reduction from a tax-sharing agreement with Cavenham that runs until March 1984.

A year ago, the company's earnings were buffeted by a nonrecurring pretax gain of $6.83 million on the redemption of Cavenham preferred stock.



Source: Company Annual Report, S.E.C. Form 10K

Ambitious renovation programs mark the chain's efforts to heighten the bottom line

While fiscal '81 figures include operating results of the 101 Weingarten stores acquired just 17 months ago, fiscal '80 numbers include them for the final quarter only.

The chain constructed 27 new stores and shut down 154 others, but remained the nation's eighth largest food chain. At the same time, the company renovated 27 conventional supers, operating under the Grand Union, Big Star and Weingarten names, enlarging 11 of them.

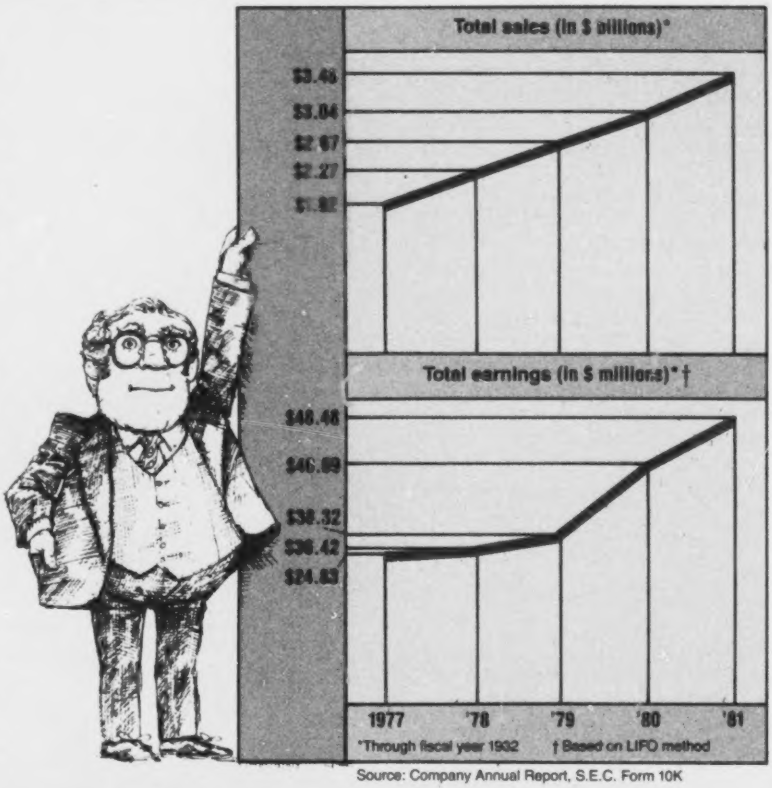
The tally of new and renovated conventional stores should reach 310 by early 1985, and all of these will emulate the gourmet appeal of the Wyckoff, N.J., prototype. With this bid to carve a solid identity for itself, the chain is betting its future on a strategy of market segmentation.

BASICS stores, which now number about 30 and should be at 36 or so by year-end '82, each generate about $350,000 in average weekly sales, compared to chainwide average weekly sales per unit of about $105,000.

However, as a sign of prolonged competitive pressures, BASICS stores are beginning to advertise regularly and stock fuller lines of goods—strategies that fly in the face of the No. 1 rule of thumb for warehouse outlets: Keep operating costs at a minimum.

Whether the bottom line will soften because of these changes is yet to be seen. ☐

At Albertson's basics are a bonanza



Source: Company Annual Report, S.E.C. Form 10K

By trimming the fat, this company is staying at least one step ahead of the economy

The catch phrase in these recessionary times—"getting back to basics"—has become a cliché.

Albertson's is one chain that has been able to transform it into fiscal reality.

It's reflected in the chain's 1981 performance. Sales increased 14.5%, from $3.04 billion to $3.48 billion, while net earnings rose 19.1%, from $40.69 million to $48.48 million.

At Albertson's, the basics start with tight controls—from energy to administrative expenses to store operations. Controls translate into improving productivity in distribution centers, eliminating marginal stores and adapting the product mix to the 16-state operating areas.

The payoff: Despite rapidly rising utility rates and increasing labor costs, the chain has been able to maintain gross margins at constant levels: 21.9% in 1981; 21.8% in 1980, and 21.9% in 1979.

In so doing, the company strengthened its competitive muscle, and this, in turn, cleared the runway for launching its 1981 hot-special campaign on staples; it's called "H.E.L.P." (Hundreds of Everyday Low Prices).

Albertson's also utilizes its store formats as a competitive tool, carefully fitting format to location. For example, when the chain bought the Fazio stores in southern California, it inherited seven outsize units (up to 72,000 sq. ft.). These units were not cutting it as conventionals, so the chain renamed them "The Grocery Warehouse" and stacked merchandise to the rafters, pallet-on-pallet. Double-truck newspaper ads then compared hundreds of prices with chains in the area. The ink changed color.

Other formats: 300 30,000-sq.-ft. conventional units and 34 42,000-sq.-ft. superstores in the West, and 78 58,000-sq.-ft. to 66,000-sq.-ft. combos in Alabama, Florida, Louisiana, Texas and Nebraska.

Prudent cash management has slain another dragon: high interest costs. Albertson's took advantage of the rapid increase in interest received on its short-term investments of surplus cash without a floating rate on the debt. Thus, interest rates for the year on all long-term debt averaged 9.2%.

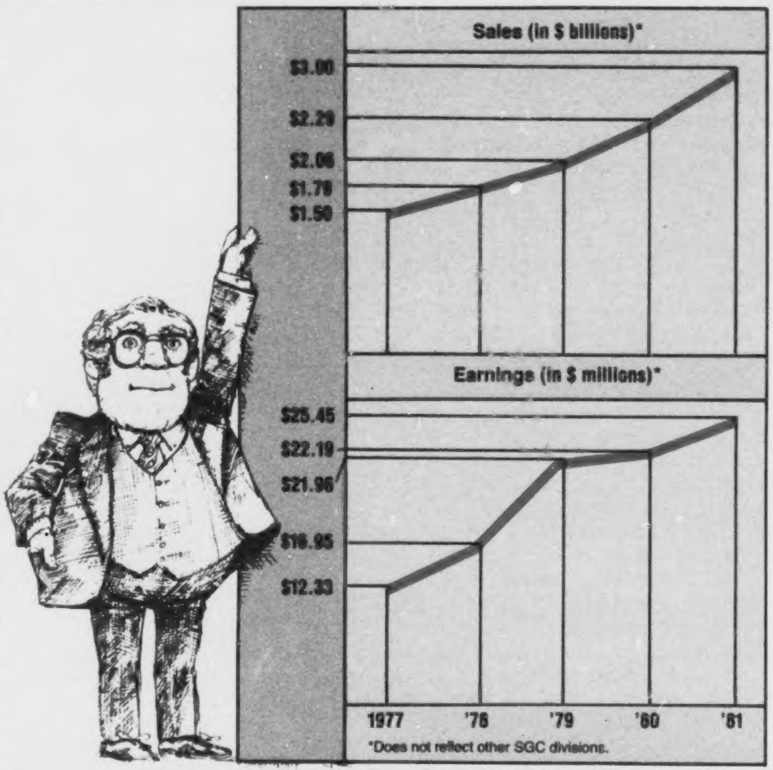
Another basic in maximizing sales of existing stores is through regular remodels, as well as the shuttering of nonproductive units. During the past 10 years, 90% of the chain's 419 stores have been newly built or completely remodeled.

The chain opened its first store in Omaha (66,000-sq.-ft. food/drug combo) and has ticketed others for Iowa, Nebraska, North Dakota and South Dakota in the next five years.

Upcoming in 1982 will be an $18 million, 355,000-sq.-ft. distribution center in Denver to service Colorado, northern New Mexico, South Dakota and Wyoming.

The Denver facility will be Albertson's ninth distribution center. Others: 535,000 sq. ft. grocery-produce-liquor-bakery-meat in Brea, Calif.; 331,000-sq.-ft. grocery and produce in Salt Lake City; 103,000 sq. ft. nonfoods in Boise; 23,000-sq.-ft. produce in Seattle; 29,000-sq.-ft. produce and liquor in Orlando, Fla.; 47,000-sq.-ft. produce and liquor, San Jose; 21,000-sq.-ft. produce in Portland, and 68,000-sq.-ft. produce and deli in San Antonio. In 1981, approximately 36% of the chain's merchandise came through its distribution system. ☐

Pathmark gains in tough markets



Source: Estimates based on Company Annual Reports

Super Centers are at core of expansion plans as aggressive chain solidifies its position

If some markets can be described as hot, then the mid-Atlantic area that Pathmark serves is downright sizzling. But despite aggressive competition by chains and independents, and the persistent presence of no-frills-type rivals, Pathmark still managed to produce record sales and earnings in fiscal '81.

Parent company Supermarkets General Corp. added 14% to fiscal 1980's $2.63 billion in sales, passing the $3.0 billion mark. In 1980, the figures showed only a 10.8% rise. Moreover, Pathmark contributed 88% to fiscal 1981 sales. That's a 14% rise over fiscal '80 for the supermarket division, representing $2.64 billion. When you consider that the inflation rate slowed considerably in '81, it's all the more impressive.

Net earnings for the same period were $30.3 million for SGC; a healthy 16% better than the $26.1 million reported a year before. Pathmark was responsible for 84% of that, or 14.7% over 1980.

What's more, the 1980 figures also included an insurance settlement. The January 1979 fiery destruction of the Pathmark general merchandise distribution center, since rebuilt, resulted in a $3.7 million addition to pretax earnings—$2 million after taxes. Factoring out that windfall means store-generated profits leaped 24.2%.

Balancing that, however, is the fact that the pretax LIFO charges in fiscal 1981 were $10.4 million, less than the $12.3 million of the previous year.

Nevertheless, Pathmark's performance in the hectic year of 1981 was still remarkable. While the chain benefited from pullbacks by A&P throughout its marketing area and by the closing of Stop & Shop's New Jersey division, it gained only a short respite; many of those stores have already reopened, under perhaps tougher local operators.

The year saw no slowdown in the aggressive chain's expansion program. Super Centers remain the core of Pathmark's plans. Seven new ones were added in 1981, plus six more created from existing units. (There were also 13 renovations.) By the end of the year, Pathmark fielded 44 of the jumbo-sized units, which average about 50,000 sq. ft. each and include some 12,000 sq. ft. of general merchandise. That's 37.6% of the chain's total 117 stores.

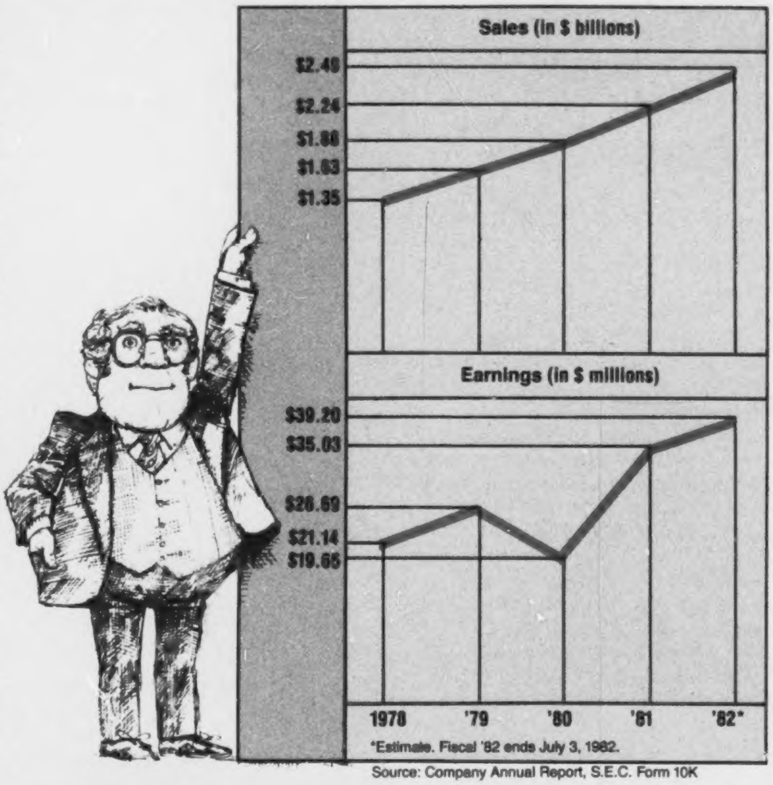
The behemoths accounted for 44% of Pathmark's sales, or $1.16 billion. Although that's an impressive figure, it's below the 50% the chain had targeted to hit this year. As a matter of fact, in fiscal 1980 the 29 Super Centers then operating produced some 30%, so per-Super Center contribution actually slipped a tiny amount this year.

The upcoming year poses a number of questions for Pathmark. Since its arrangement in principle to acquire Pantry Pride has fallen through, industry observers are left to wonder if it will seek new merger opportunities. Rumors had been rife for some time before the Pantry Pride debacle that Pathmark was casting covetous eyes at the Sunbelt. The question now is: Will Pathmark find a new "friend" in the sunnier climes, concentrate on its present area, or, perhaps, venture south itself?

Meantime, expansion plans continue up north. Sites include several in the tough New York City market, where the chain has been slowly adding to its few stores in the "bedroom boroughs." □

Dillon: rock steady and growing

This Western chain has racked up solid earnings gains and built up cash reserves



*Estimate. Fiscal '82 ends July 3, 1982.

Source: Company Annual Report, S.E.C. Form 10K

To paraphrase a familiar song, Dillon Companies just keeps rolling along. The diversified firm's sales and earnings have grown in every year but one over the past two decades, and that year was marked by intense competitive pressures which ruined many other bottom lines as well.

In the current 53-week fiscal year ending July 3, sales should reach $2.80 billion, an increase of 12.2%, while earnings are expected to rise about 17% to $49 million.

Dillon's six supermarket chains contribute the major share of these record figures. Full-year supermarket sales should be about $2.52 billion, or 90% of the corporate gross and a 12.5% boost over fiscal 81's $2.24 billion. Net earnings from supermarket operations should climb 12% to $39.2 million, representing approximately 80% of the company's bottom line.

While the results include an extra reporting week, most of the sales growth comes from new and remodeled units and inflationary effects, says Paul Dillon, senior vice president, secretary and treasurer. The upsurge in net income, meanwhile, is being generated by a $3 million real estate sale during the second quarter, a lower tax rate and a LIFO charge that is about $2.1 million less than a year ago.

The company's network of 218 supermarkets in nine Western and Central States provides roughly 6.81 million square feet of selling space.

The chain's capital expansion plans have practically contracted lockjaw on two fronts: Shopping center developers can't readily obtain long-term financing, and Dillon becomes extra-cautious with its money during times of high interest rates even though it has "plenty of money to develop new stores and pay for them from reserves," says Dillon.

The end result: While the company planned to open 12 units this year, they've opened just five.

Working capital for the first 40 weeks rose 20.4% to $21.7 million, compared with 39 weeks a year ago. During this same period, the company's cash and short-term investments rose about 10% to $44 million. So the company, which is apparently gun-shy in the current economy, is accumulating cash in anticipation of an upturn.

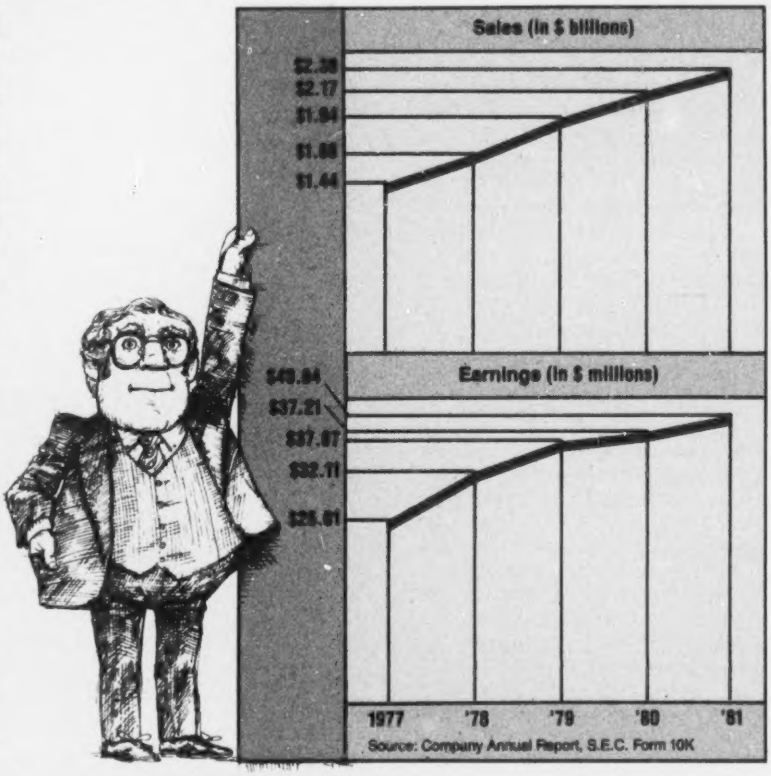
Where will Dillon place this money? Will the giant grasp another acquisition opportunity, such as Pantry Pride, which management concedes it had considered? Not for a while at least. The chain has no major purchases planned for "the next few months," says Paul Dillon. "Within the next few years, of course, anything is possible. But more likely we'll expand in areas where we already are, rather than enter new territories."

Currently, the company operates 54 King Soopers in Colorado, averaging 38,800 sq. ft. of selling space; 27 City Markets in Colorado, Utah and Wyoming (27,300 sq. ft.); 58 Dillon Stores in Kansas (23,600 sq. ft.); 22 Dillon Springfields in Missouri, Arkansas and Oklahoma (23,900 sq. ft.); 27 Fry's in northern California (30,800 sq. ft.), and 30 Fry's in Arizona (32,200 sq. ft.).

What impact larger stores with more service areas—along with growing lines of high margin GM—will have on the supermarket division's net-to-sales ratio remains to be seen. For fiscal '82, the ratio should approach 1.55, compared with 1.56 and 1.04 the years before. ☐

BILLION-DOLLAR PERFORMERS

Publix holds solid, eyes expansion



Source: Company Annual Report, S.E.C. Form 10K

Chain resumes building without borrowing for a solid future in the Florida sunshine

If Publix is turning its competition green with envy through an aggressive expansion drive, it's not so much what the chain is building as what it's building with: mostly cash.

Florida's premier operator is directing much of its capital reserves toward construction of new stores and facilities that are intended to help keep sales and earnings growth on an upward path. During fiscal '81, the chain spent 59% of its $87.2 million in working capital from store operations on property, plant and equipment.

That's a good sign for the chain: In 1980, Publix deviated from its usual policy of using only internally generated cash for expansion by borrowing about $20 million to help pay for its $95 million improvements program.

Having reduced its long-term debt from 1980's unusually high level of $36.1 million to $12.1 million, the company is once again in a position to flex its expansion muscle. The chain still continues to hold a respectable 25% share of its total market.

"We're still hungry," says Joe Blanton, president.

Publix opened nine new supermarkets in '81; eight were 36,000 sq. ft. and one was 57,000 sq. ft. One existing store was closed. At year-end, the company operated 252 supermarkets, including 22 Food World discount markets. The chain also remodeled 14 supermarkets last year, enlarging six of these an aggregate 48,000 sq. ft.

The end result was sales of $2.39 billion, a 10% increase over 1980. Net earnings rose 7.6% from the prior year to a record $40.04 million, substantially better than 80's marginal 0.3% rise. Nevertheless, the company's net-to-sales ratio in '81 softened for the second consecutive year, from 1.72 to 1.69. Management attributes price competition, LIFO inventory accounting and costs of starting up new stores and facilities for the decline.

That share has been constant since at least the late 70's, says Blanton. The chain has not been able to gain share in the face of aggressive competition and a flat economy, but company executives are proud that they haven't lost any, either. "The growing population here is helping us hold our share," comments Blanton.

One potential black cloud, however, still looms over the chain's head: the still-to-be-decided fate of the 116-store Pantry Pride network in Florida. Although the proposed Supermarkets General merger with PP fell through, there are still a number of suitors out there who could do Publix no good.

Meantime, other plans for a bright future are in the works. The company built and began operating a 56,000-sq.-ft. addition to its Lakeland bakery plant during the last quarter of fiscal '81, and paid for a 204,000-sq.-ft. addition to its Jacksonville warehouse. Also, properties in Deerfield Beach and Sarasota County were purchased for future warehousing needs.

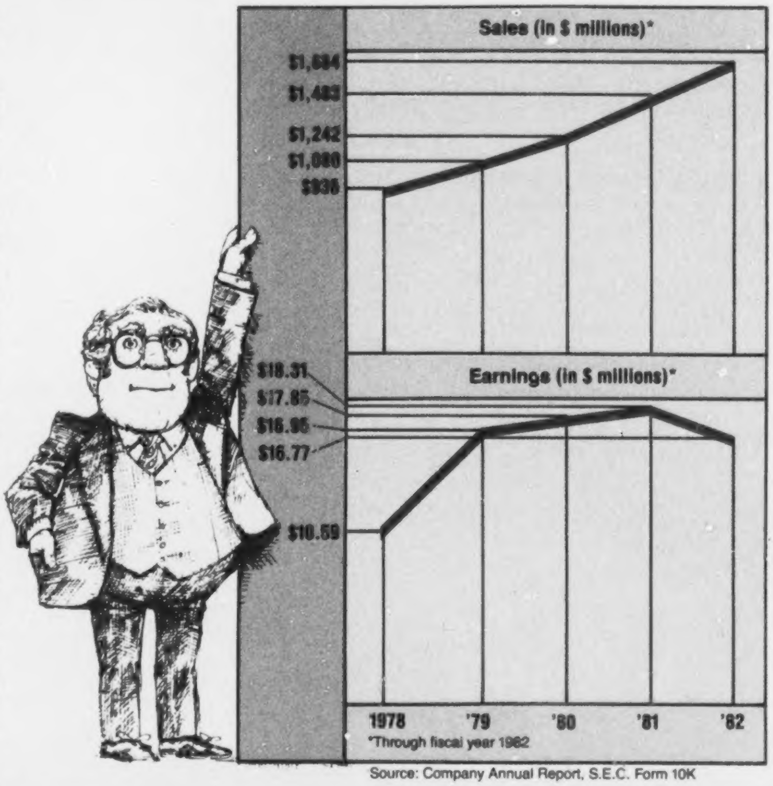
All this came from working capital—nothing borrowed, nothing owed is the chain's operating philosophy.

To help improve operations, Publix also became totally scanner-equipped during fiscal '81.

During fiscal '82, Publix will add 70,000 sq. ft. to its Lakeland warehouse and will build a dozen 36,000-sq.-ft. supers throughout its Lakeland, Jacksonville and North Miami divisions. ☐

BILLION-DOLLAR PERFORMERS

Price war singes Giant Food profits



*Through fiscal year 1982

Source: Company Annual Report, S.E.C. Form 10K

But chain's bid to expand its shopper base with a low-price image is paying dividends

Washington, D.C., is full of monuments to men who took risks—and won. Maybe that's what inspired Giant Food to sacrifice a hefty chunk of profits last year in hopes of winning that most valuable prize—loyal shoppers.

The market leader introduced warehouse pricing in all its stores on April 5, 1981. That lit the fuse that exploded in an all-out price war with arch-rival Safeway and its other competitors, including Grand Union and A&P.

The results were a healthy leap in sales—and a slump in net profit. Most of the damage took place early in the year. Earnings slipped in the first quarter, but it was the second 12 weeks that really caught the brunt of the move—Giant actually recorded a loss.

Over the year, the chain claims its gamble paid off. Sales jumped 13.5% over the previous year, hitting $1.68 billion. That had been a 53-week year—eliminating the extra week makes the increase 15.8%.

Net incomes didn't fare as well. The chain logged $16.77 million, 1% of sales, compared with $18.31 million or 1.23% a year before. Once again, though, it should be remembered that that was a 53-week year, while the fiscal year ended Feb. 27, 1982, was of the regular 52-week variety.

Giant says the positive results in the last half of the year prove the chain has kept many of the shoppers attracted by its price cuts. In the past, they say, shoppers had perceived Giant as a high-priced store. With the influx in recent years of warehouse stores like Grand Union's Basics, Safeway's Food Barn and A&P's Plus, that image became increasingly dangerous.

What's more, independents are a growing threat in Giant's Washington, D.C.-northern Virginia-Baltimore trading area. The closing of Pantry Pride's 54-store Baltimore division created even more opportunities for the little guys—and they've been quick to grab them. Food-A-Rama, for instance, doubled its store count to 22 in one fell swoop.

But while most of the shuttered stores were unsuitable for Giant's purposes, that doesn't mean the chain has decided to sit tight with the stores it has. Four units were added last year: Three were new 46,850-sq.-ft. food-pharmacy stores, the fourth a former Pantry Pride. The chain was operating 130 supers at fiscal year's-end, and had also added three Pants Corrals to total 33.

Building activity has been hot this year, too. In April, two stores bowed—one a full-line superstore, the other a 28,938-sq.-ft. conventional unit. Two more combos are set for summer openings.

All the changes haven't been where customers can see them. A new frozen food and ice cream facility in Jessup, Md., bowed at the end of the fiscal year. The 2 million-cubic-foot frozen food warehouse is eight stories tall and features computer-run equipment. The ice cream manufacturing plant covers 44,000 sq. ft. and is equipped to produce 6 million gal. a year in 14 flavors—not counting ice milk and sherbet.

Giant finished its last fiscal year in a solid position for future growth. Cash and short-term investments were $52.7 million, up from $42.8 million a year before. Working capital totaled $38.7 million with a ratio of 1.32 to 1; the figure for the previous year was $39.5 million with a ratio of 1.37 to 1. ☐

CSA Consumer Survey:

Houstonites put

In Houston, the supermarket industry is analogous to a good horse race.

Right now Kroger is the thoroughbred in the lead. But Safeway and Weingarten are mere lengths behind, and Randall's, the native favorite, is coming up hard on the inside rail.

According to the latest *CSA* Consumer Attitude Survey, Kroger is currently rated No. 1 in four of the five critical areas that Houston shoppers say matter most to them.

Kroger is the most successful at taking casual shoppers and turning them into regulars: Nearly three out of every 10 shoppers who try this operator make it their first-choice outlet. In contrast, Rice gets to keep fewer than one out of every 10 shoppers who try its stores.

Yet Kroger, for all its strength, is so closely shadowed by Safeway and Weingarten, and so hotly contested by the upscale Randall's, that it's safe to say its lead in no way resembles a runaway.

As far as the typical shopper in Houston is concerned, Kroger, Safeway and Weingarten are pretty close when it comes to delivering quality meat, quality produce and clean stores, the three elements that matter most to Houston shoppers. They are also close on the dimensions of convenience and price.

But when the shoppers who regularly patronize a Kroger or a Weingarten or a Randall's rate their favorite store, Kroger is vigorously outmatched by Randall's, and only narrowly ahead of Weingarten. Safeway slips quite seriously on this critical dimension and comes in sixth out of a field of seven.

The bottom line: While it is clear that Kroger is currently doing an excellent job of capturing regulars and keeping them satisfied, it is also clear that Randall's, without Kroger's reach and presence in the

Kroger gets roses as market leader . . .

	Randall's			Kroger			Weingarten		
	Importance*	Rating**	Point difference	Importance*	Rating**	Point difference	Importance*	Rating**	Point difference
Quality produce	100%	59%	41%	91%	59%	32%	92%	47%	45%
Clean store	91	88	3	87	73	14	92	62	30
Quality meat	94	75	19	86	55	31	90	43	47
Convenient location	84	63	21	83	65	18	87	68	19
Fast checkout	75	88	13	82	57	25	79	49	30
Low prices	72	50	22	79	39	40	75	36	39
Helpful workers	72	63	9	69	56	13	66	49	17
Variety & selection of national brands	63	44	19	54	34	20	60	45	15
Ad specials	59	47	12	46	33	13	53	34	19
Wide selection of general merchandise	69	50	19	51	45	6	45	51	6
Variety & quality of private label	53	47	6	54	42	12	43	39	4
Wide selection of H&BA	31	44	13	23	29	6	23	32	9
Variety & quality of generics	41	22	19	17	17	—	23	30	7

*% of shoppers who say this factor is extremely very important

**% of shoppers who rate their regular store extremely/very good in this category.

Kroger in the lead

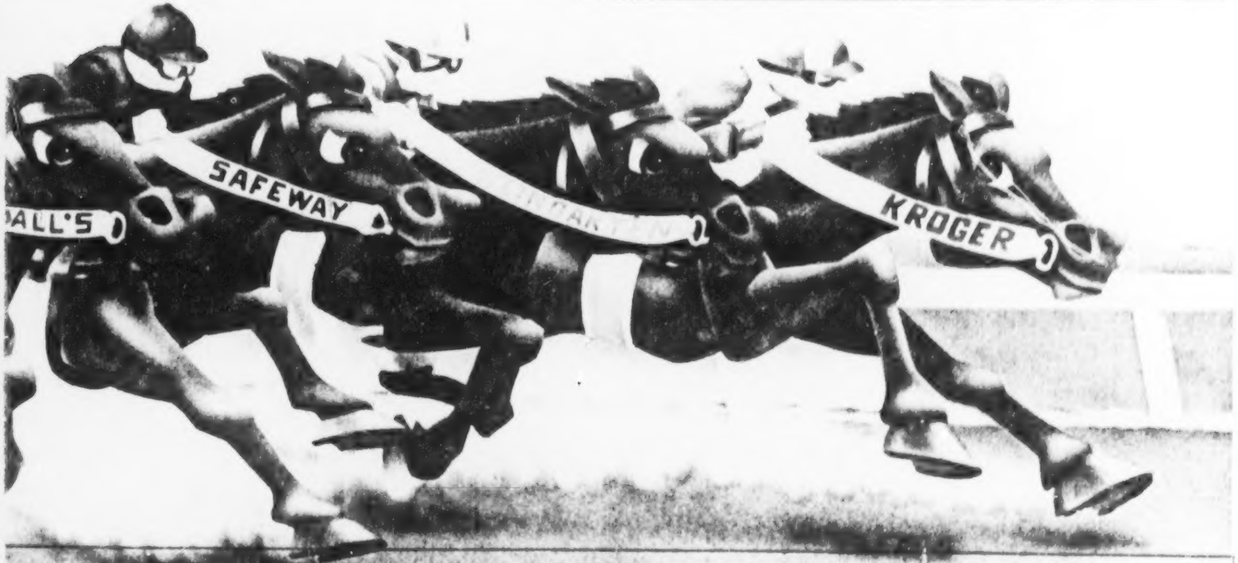
market, is better than Kroger on satisfying its regulars by a very wide margin.

When you look at the difference between what regular shoppers say they want most from their favorite food store and how they rate their favorite on these dimensions, Randall's has the best differential between expectations and accomplishments. Add up the point difference between what customers say is extremely/very important to them in

Behind the study

This month Chain Store Age Supermarkets *presents the third installment of a five-part study delving into consumer shopping attitudes in major metropolitan markets around the country. Subsequent studies will take the pulse of shoppers in Atlanta and Boston.*

Each study is based on hundreds of interviews conducted by Lebhar-Friedman Research, with this magazine's own research arm furnishing supplementary analysis of the extensive data generated by this examination into what shoppers are thinking and feeling.

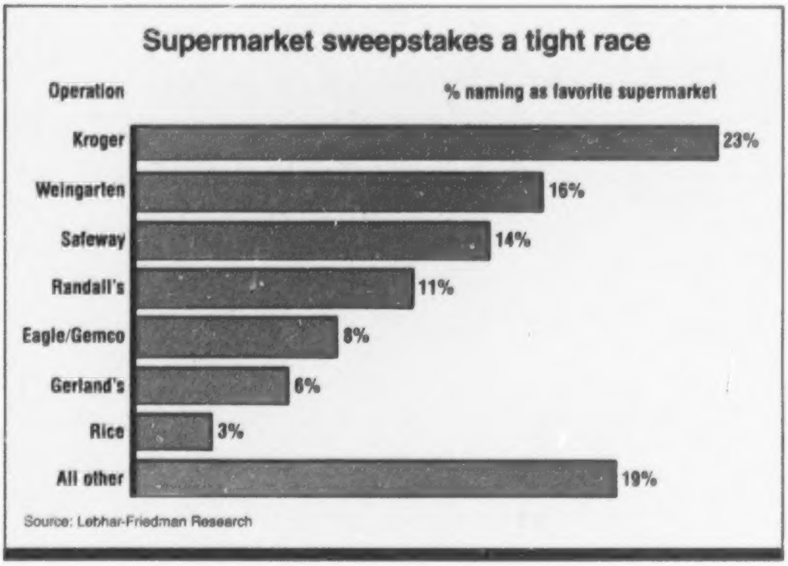


. . . [illegible]ndall's is best at pleasing its regular shoppers

Gerland			Eagle/Gemco			Safeway			Rice		
Importance*	Rating**	Point difference	Importance*	Rating**	Point difference	Importance*	Rating**	Point difference	Importance*	Rating**	Point difference
95%	61%	34%	83%	48%	35%	91%	57%	34%	100%	50%	50%
100	56	44	100	61	39	95	60	35	100	50	50
84	56	28	78	52	26	90	52	38	100	30	70
95	72	23	83	61	22	81	60	21	90	50	40
83	67	16	91	57	34	81	52	29	80	60	20
78	34	44	83	52	31	83	29	54	100	40	60
72	61	11	61	48	13	67	40	27	60	80	20
61	50	11	61	22	39	48	36	12	50	30	20
44	39	5	57	22	35	43	41	12	60	40	20
73	56	17	52	65	13	57	29	28	60	40	20
67	28	39	52	39	13	45	33	12	60	30	30
17	28	11	30	31	1	36	19	17	50	10	40
22	12	10	39	26	13	29	12	17	—	—	—

Source: Lebhar-Friedman Research

CSA Survey: Houston



Supermarket sweepstakes a tight race

Source: Lebhar-Friedman Research

Shoppers rate Kroger's performance best

(Rankings based on ratings by all respondents)

	Kroger	Safeway	Weingarten	Randall's	Eagle/ Gemco	Gerland's	Rice
Quality produce	1	2	3	4	5	6	7
Clean stores	1	3	2	4	5	6	7
Quality meats	1	2*	3	2*	4	5	7
Convenient locations	2	3	1	5	4	7	6
Low everyday prices	1	3*	2	4	3*	5	6
Fast, efficient checkouts	1	2*	2*	2*	3	4	5
Helpful workers	1	3	2	4	5	6	7
Variety & selection of national brands	2	3	1	4	5	6	7
Wide selection of general merchandise	1	3	2	5	4	6	7
Variety & quality of private label	1	3	2	4	5	6*	6*
Ad specials	1	3	2	4	5	6	7
Wide selection of H&BA	1	3	2	4	5	7	6
Variety & quality of generics	2	3	1	5	4	6*	6*

Source: Lebhar-Friedman Research

*Indicates a tie

choosing a food store and whether they rate their favorite store extremely/very good at delivering these qualities, and Randall's gets the best (lowest) score in point difference; Kroger places second.

Rice and Safeway, in contrast, appear to be in rather poor shape. Safeway keeps nearly two out of every 10 shoppers who try its stores, but these regulars seem to be saying that the chain is not as effective as it should be in delivering quality produce, quality meats, clean stores and especially low prices. In fact, there is no area in which Safeway meets or exceeds customer expectations.

In contrast, Randall's has a serious point differential in only one area, quality produce, and exceeds expectations on its fast checkouts and wide selection of H&BA.

Kroger's worst score is on low prices, but this operator also exceeds expectations in its selection of H&BA.

In calling the shots on the Houston race, it is possible to make certain predictions based on customers' current attitudes.

Rice, obviously, has a hard row to hoe. In overall ratings, the chain comes in last on almost every dimension. And in ability to make regulars out of customers who come in to browse, Rice also ranks lowest. But most disillusioning of all is that *CSA* respondents who were regular Rice shoppers express the highest level of dissatisfaction with their store's performance. Nothing—absolutely nothing—bodes more danger to market share than dissatisfied customers.

There may be a similar crack in Safeway's armor. While the chain now has a fairly respectable rating among the average shoppers in the Houston market, it was disappointing its regulars—at least at the time this survey was taken. This is a danger sign that Safeway should heed, or growth-determined Randall's, for one, which has been belching out two to three new stores a year for the past couple of years, will wind up wooing Safeway shoppers.

For the time being, though, Randall's, with its 18 stores, doesn't look like that much of a threat to Kroger, which has over 100 stores in its Houston division, or to Weingarten, which has close to 90.

But in a market this competitive, no one can afford to let any competitor get too far ahead on performance. Kroger seems to have the controls in place to maintain its dominance. Right now two out of every 10 shoppers in Houston shop Kroger regularly, and if the chain continues to satisfy and hold onto its regulars, and if it does a little more to convince its shoppers that its prices are competitive, it can probably extend that lead.

Meanwhile, Weingarten is more of an unknown quantity, even though the average shopper looks on this operator almost as favorably as Kroger and Safeway. It seems likely that if Weingarten does a better job on produce and meat—the two areas in which it falls short with its regular patrons—it may be able to keep Houston a three-way race.

Of course, if Randall's can continue to grow at an aggressive rate and at the same time keep its controls as tight as they are now, all bets are off. ☐

Organized shoppers zero in on quality

Houston shoppers are as demanding as they are organized.

Eight out of 10 usually have a list and know just what they want before they set out on a food trip, and the majority of them definitely have a clear idea of what makes a particular food store their first choice.

Indeed, the way to a Houston shoppers' heart seems to be through quality produce, quality meats and clean, well-laid-out stores. Over 90% name these three areas as extremely or very important to them in choosing a food store. And nearly as many are turned on by conveniently located stores, low prices and fast, efficient checkout lines.

When Houston shoppers venture out on a food trip, they usually fork over $67 on an average excursion for a major food purchase. In comparison, shoppers in Weingarten will spend a frugal $58.70 on their major shopping trip, while Gerland's customers will drop $85.80.

Married shoppers seem to prefer Eagle/Gemco, while single shoppers are equally divided in their preference for Safeway and Weingarten.

The most affluent shoppers, people with a median income of $44,000, are attracted to Gerland's; the poorest shoppers, those with a median income of $23,600, frequent Safeway.

Randall's, Gerland's and Rice share the better-educated shoppers, with nearly eight out of every 10 regulars in their stores college-educated. Conversely, Weingarten has the highest appeal for people with a high school education or less. Four out of every 10 Weingarten shoppers ended their education at the high school level.

Gerland's shoppers spend the most

Average tab	$67.70
Weingarten	$58.70
Eagle/Gemco	$61.80
Safeway	$63.80
Kroger	$65.80
Rice	$69.80
Randall	$70.90
Gerland	$85.80

Source: Lebhar-Friedman Research

In an average week a Houston shopper will make three trips to a food store, and nearly seven out of 10 will go back to the store they consider their favorite for fill-in trips. When shoppers do make a supplemental trip to a store other than their regular, however, Weingarten seems to be the chain that picks up the most extra business.

Even though seven out of 10 of Safeway's shoppers and Randall's shoppers say they do all of their food buying in the same store, two out of 10 who said they shopped elsewhere picked Weingarten as their favorite store. Four out of 10 of Rice's shoppers who made fill-in trips to other stores also picked Weingarten, as did two out of every 10 of Kroger's wandering shoppers.

Kroger was the only other store to come close on the fill-in sweepstakes. Nearly three out of 10 of Gerland's regulars shopped Kroger for emergency buys, while nearly four out of 10 Eagle/Gemco shoppers picked Kroger as their second favorite store.

Daytime appears the favorite time for most Houstonites to shop. Six out of 10 *CSA* respondents say they usually shop before 5 p.m. while only two out of 10 shop early evening between 5 p.m. and 10 p.m. Only 4% said they shopped after 10 p.m., and the rest said there was no special time for them.

Houston shoppers also like to savor their food trips, making them into something resembling an event. Nearly five out of 10 say they like to combine their food trips with trips for other needed items.

Possibly because so many Houston shoppers like to gad about in different stores, one-stop shopping seems to be less important in this market than it is elsewhere.

Only one out of every 10 Houston shoppers was interested in buying cosmetics, prescriptions, housewares, glassware, auto care, small electrical appliances and books in their food stores.

The strongest interest in one-stop shopping was for products such as health and beauty aids and over-the-counter medicines.

It seems that with all the space in Houston, shoppers don't want to be roped into any one corral of a supermarket. ☐

—Elizabeth Parks

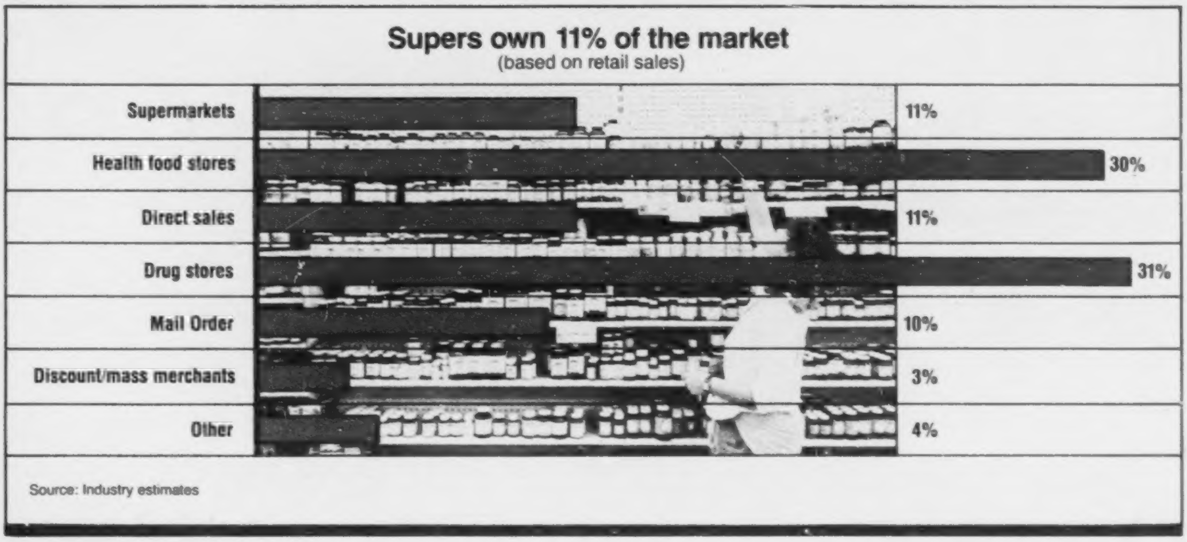
Cleanliness and produce count the most

(Rankings in order of importance to shoppers)

	Extremely/ very important	Somewhat important	Not too important	Not at all important	No answer
Quality produce	93%	5%	1%	1.0%	—
Clean stores	93	3	2	1.0	1.0%
Quality meats	89	3	4	4.0	—
Convenient locations	85	10	3	1.0	1.0
Low everyday prices	80	14	6	—	—
Fast efficient checkout	80	14	5	1.0	—
Helpful workers	70	22	7	0.5	0.5
Variety & selection of national brands	57	27	12	4.0	—
Wide selection of general merchandise	55	27	12	6.0	—
Variety & quality of private label	52	28	14	6.0	—
Ad specials	52	25	13	7.0	3.0
Wide selection of H&BA	27	24	26	22.0	1.0
Variety & quality of generics	25	17	32	24.0	2.0

Source: Lebhar-Friedman Research

Learning the ABC's of vitamins


Supers own 11% of the market
(based on retail sales)

Source: Industry estimates

Ask the average shopper about vitamin C and she'll tell you it's good for colds. Ask her about vitamin E and she'll probably say it's good for the skin. But what will she say if you ask her about B-6? Or biotin? Or pantothenic acid? Chances are, she won't know much about those. And as any retailer will agree, when shoppers don't know about products, they simply don't buy them.

The vitamin market represents an estimated $1.7 billion to $1.8 billion at retail, of which supermarkets own 10%-11%—rather low considering that supers have a firm grip on the multivitamin market with a 42% share. Supers also sell approximately 30% of all vitamin E and 29% of all vitamin C. But not until food chains start selling more of "those other" vitamins, minerals and food supplements will their market share experience significant growth.

How can supermarkets—the ultimate in self-service—teach shoppers about all the functions and forms of vitamins, minerals and food supplements? It could take a full-time clerk. It could take a complete pharmacy. Or maybe all it really takes is good point-of-purchase materials.

With the help of some manufacturers and distributors, growing numbers of food chains are teaching shoppers about vitamins through signage, take-home pamphlets and laminated cards, one distributor is even considering video POP. Kroger's Atlanta division, for instance, provides its shoppers with Government literature and manufacturer-written pamphlets about vitamins. Pathmark, Waldbaum's, ShopRite, Piggly Wiggly and Giant Food in Tennessee are among the chains merchandising these materials along with their vitamin sections. It's all part of the trend toward vitamin "centers" or "store-within-stores" now provided by many vitamin suppliers from coast to coast.

Until food chains sell more of 'those other' vitamins, supers' share will remain low

Setting up shop: Perhaps the most widely publicized center is Rexall's "Health Food Center," which includes an assortment of 70 sku's of vitamins and food supplements. The unit also carries herb teas, nutrition snack bars, herbs, natural snacks and natural H&BA products, all under the company's Naturalist label. Literature, store flyers and shelf talkers are among Rexall's selling aids.

Service merchandiser Sav-A-Stop recently introduced a three-sided vitamin center designed for endcap merchandising. Laminated cards and take-home pamphlets explain the functions of various vitamins, minerals and food supplements. Bill Scott, senior vice president of sales, says he's "considering video to get the vitamin message across." (Retailers have previously used video to teach shoppers about products like hair accessories and varnish, with favorable results.)

If successful—and industry observers are betting it will be—the vitamin center concept will lure shoppers from health food stores into supermarkets. Health food stores have approximately 30% of the vitamin market.

"Supermarkets are definitely beginning to attract the health food store shopper," says Sonya Hagna, a product manager with Hudson Vitamins. "We know this because we see our Ecology label of natural vitamins outselling the Hudson label in many regions."

"Now that we've put in full-line vitamin/health centers, we're seeing sales on products like calcium, not just the big sellers like C and E," says Sav-A-Stop's Scott. Combined, vitamins C and E make up about 34% of the total vitamin market in retail sales, according to a 1980 MRCA vitamin audit. Multivitamins comprise 46% of the total vitamin market and B-complex vitamins make up another 14%.

Hudson Vitamin's Hagna points out that "When a consumer is shopping in a supermarket for vitamins,

Learning the ABC's of vitamins

she can't go to a pharmacist or nutritionalist for guidance." Hudson's Vita-Center identifies specific vitamins and minerals right on the shelf.

Hagna notes that sales of less common vitamins and minerals differ by region. "I've seen dolomite and brewer's yeast move in some states and not move at all in others." Retailers, therefore, should be cautious when using national averages to plan the merchandising of their regional stores. The biggest single seller is still vitamin C, 500mg in 100-count. Next for Hudson is vitamin E, 400 I.U.'s in 100-count. □

Save Mart's Rx for profit

The meat manager who says he can't sell poultry has a country cousin in the general merchandise manager who says he can't sell vitamins.

You know the result—neither product sells, and another good profit department slides down the drain.

But that's not happening at Save Mart, a 29-store chain based in Modesto, Calif. (75 miles south of Sacramento), simply because Frances (Frankie) Haerer Laible won't let it happen.

Not by sheer will—although she has plenty of that—but the general merchandise dynamo draws on seven years of experience with Pay Less Drug of Oakland and one year with McKesson Drug. She was merchandising manager of H&BA and cosmetics at Pay Less and national H&BA merchandiser for McKesson, the nation's largest drug wholesaler.

At McKesson, Frankie missed the excitement of retailing, so when Save Mart president Bob Piccinini offered her the post of general merchandise director and promised her a free hand, Laible climbed aboard.

Her secret merchandising passion is vitamins.

"If the supermarket hopes to impact the one-stop shopping environment, it needs vitamins. But is also needs the profit—a lot of dollars can be generated in a small space."

But that's putting the cart before the horse. "Vitamins won't sell unless there is a commitment," she says. "You have to be in it—or out. There are no in-betweens."

Her first move was to cancel out the rack jobber who had been servicing Save Mart's general merchandise and hire nonfoods clerks.

"Right off, we cut labor costs to less than half of the cost of the rack jobber, and we increased margins to 40%-plus," she explains.

"With the rack jobber, vitamins were a mishmash. In addition to a few national brands, Save Mart carried a controlled label, which had little customer acceptance."

All that began changing in December 1981, when Save Mart tested Nature Made natural vitamins in two stores for 45 days. The fixture used was a freestanding 4-ft. rack, 6 ft. high with eight shelves. It was tried in both produce and dairy. Results: Vitamin sales tripled. "But then we started with a pretty low base," Laible notes.

Two changes were made after the test: Save-Mart went to a higher rack (7 ft. with 10 shelves), and it was positioned as the front-runner of a 44-ft. H&BA gondola, across the aisle from the checkstands. "That way," says Laible, "we get the traffic first and last in the shopping cycle."

In mid-January 1982, Save Mart reset vitamins in eight stores. Re-

Vitamin Center
VITAMIN CENTER
11
SUGAR PICKLES
CAKE MIX

***Freestanding rack** in produce (l) hyped sales; half-aisle in-line strategy in H&BA (r) is even more successful.*

Price the key to soft drink turns

Retailers who have been waiting for spring or summer to aggressively promote soft drinks may be cutting off a couple of seasons' worth of potentially bigger sales.

Soft drinks do turn well in the summer, but the reasons for the upsurge in consumption seem to have more to do with price and value than with providing refreshment.

Shoppers who buy more soft drinks in summer are responding not to heat-induced thirst, but instead to "hot, hot" price reductions, an analysis of scan data collected by TRIM Inc. indicates.

Sales in the high-volume soft drink category are stable only when prices are stable. Sales surge when prices go down, and that surge, it appears, can be effected as easily in January as in August.

Traditionally, of course, supermarket retailers do most of their aggressive soft drink promotions around the summer and holiday seasons, but according to Trim's scan data, retailers can create traffic with soft drinks anytime during the year simply by featuring a good price and then backing it up with an eye-catching display.

According to scan data collected from 32 TRIM stores based in the Midwest, the West and East, the movement of soft drinks doesn't vary more than 20 points around a base index of 100. In contrast, a truly seasonal category like insect repellent varies as many as 275 points around a base index of 100. That variation is all due to seasonality. There just isn't much demand for insect repellent in December.

However, with soft drinks the key to turns is not season, but price. In fact, it appears as if the core of totally brand loyal shoppers is relatively small in this category, and that most buyers of soft drinks can be made to both switch brands and increase their purchase activities through price. Consumers of soft drinks will abandon their favorite brand if a good deal comes along, buying more house brands than top brands if the price is right.

But what is most attractive about this category's promotional sensitivity is that much of the increased sales is "true growth." Consumers don't seem to be buying and stockpiling. Sales of a product don't fall off the week after a sale ends.

Price—not season—causes surge in soft drink sales

(Index equals a base of 100)

	West Coast chain		Midwest chain		East Coast chain	
	Index	Average price per unit	Index	Average price per unit	Index	Average price per unit
January	92	$1.18	99	$1.08	117	$1.04
February	88	1.13	93	1.03	102	1.06
March	93	1.21	96	1.08	100	1.12
April	91	1.10	92	0.99	100	1.00
May	97	1.15	99	1.05	104	1.02
June	121	1.00	108	0.95	99	1.03
July	126	1.05	116	0.93	118	1.00
August	103	1.11	109	0.93	103	1.10
September	127	0.93	109	0.90	95	1.14
October	93	1.17	92	0.97	84	1.06
November	91	1.21	90	1.03	80	1.13
December	90	1.16	95	1.03	96	1.13

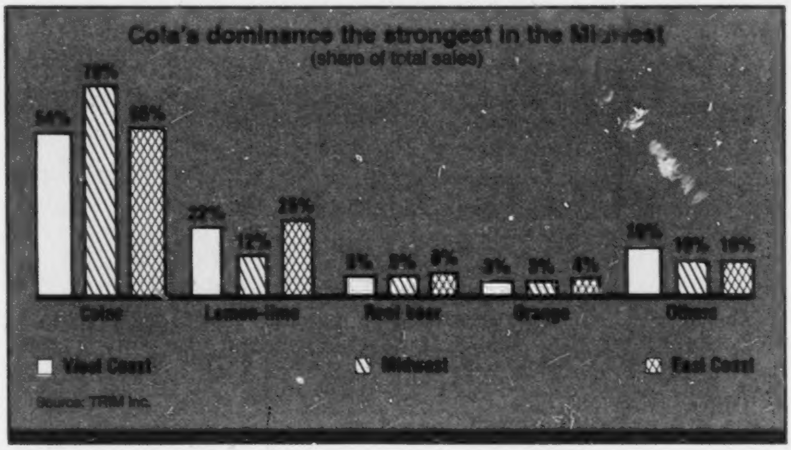
Source: TRIM Inc.

Value-priced house brands outsell name brands

	Total category sales per 1,000 shoppers in a Midwest chain			Average weekly price for 12-oz. cans*		
	House brand	Brand A	Brand B	House brand	Brand A	Brand B
April	429	128	127	$0.96	$1.98	$1.98
May	451	180	126	0.96	2.28	1.98
June	510	181	126	1.02	1.98	2.04
July	533	167	186	1.02	1.74	1.74
August	487	161	167	0.96	1.79	1.62
September	457	253	161	0.96	1.62	1.62
October	424	138	158	1.02	2.28	1.79
November	357	185	165	0.96	1.98	1.92
December	352	156	197	1.02	1.98	1.86
January	350	164	215	0.96	1.86	1.79
February	381	139	162	1.02	2.16	1.86
March	391	164	192	1.02	2.22	1.96

*Pricing on the 12-oz. cans is representative of pricing in the entire category.

Source: TRIM Inc.



Cola's dominance the strongest in the Midwest
(share of total sales)

Source: TRIM Inc.

Movement returns to its normal presale level, indicating that shoppers are consuming most of the product they buy on sale, and then returning to their normal patterns.

When it comes to what types of packages sell best in each region of the country, TRIM's scan data indicates a decided preference for 6-pack 12-oz. cans and 2-liter bottles among West Coast retailers; Midwest merchants prefer 16-oz. bottles, cans and 1-liter bottles. East Coast chains put their space and promotional emphasis on 16-oz. bottles, cans and 2-liters.

Why such diversity? Part of it appears to be lifestyle. On-the-go Californians seem to like the convenience of cans, while the thriftier Easterners and Midwesterners prefer the economy of liters and returnable bottles.

Lifestyle also seems to account for a difference in flavor preferences among shoppers in varying parts of the country. In the Midwest, shoppers prefer colas, but in the East and the West, areas where there's a strong trend to lighter drinks and fresher, more natural tastes, lemon-lime and other fruit flavors are surging in popularity.

Cultural and economic differences also seem to be having their impact on soft drink sales. On the West Coast, where scan data is coded to ethnic differences, white shoppers tend to buy soft drinks twice as often as black shoppers.

Movement increases 200%-400% on featured soda

To measure the impact of a featured price on an end display on movement, TRIM recently monitored sales of 16-oz. bottled soft drinks in 20 stores in a major Midwest supermarket chain.

The movement of the two top colas was tracked over a 13-week period. The presale weekly average movement for Brand A was 1,100 cases, while the presale average weekly movement for Brand B was 300 cases.

Results: Movement remained stable as long as price was stable. But in the seventh week, the chain took a 6¢ reduction in the unit price of Brand A, and unit movement zoomed 238%. The next week, movement settled back to where it was before the sale without any falling off that could be attributed to stock-piling.

In the ninth week, the chain took a 7¢ price reduction on Brand A. Again movement soared, this time nearly 200%, and again, in the 10th week, movement returned to normal: no fall-off in sales.

In the eighth week, the chain took a sharp price reduction on the comparatively higher-priced Brand B cola. Partly because of the value of the savings and partly because the competing top brand was not on sale that week, Brand B's movement soared a vibrant 415%. Again, in the ninth week, movement settled back into its normal pattern.

Obviously the scan analysis has some interesting implications. It appears to prove that retailers can achieve "real" increases in soft drink movement by selectively and carefully presenting a well-thought-out featured price in conjunction with a dramatic display.

The price-display one-two punch results in high-volume gains without detracting from the overall stability of product movement.

Feature price plus display creates new traffic for soft drinks

	Brand A (16-oz. bottles)			Brand B (16-oz. bottles)		
Weeks	Unit movement	Weekly price	% increase	Unit movement	Weekly price	% increase
1	2,328	0.28		306	0.32	
2	1,080	0.29		291	0.32	
3	1,336	0.30		338	0.33	
4	1,013	0.30		311	0.33	
5	1,167	0.30		243	0.33	
6	889	0.30		292	0.28	
7	3,715	0.24	238	298	0.28	
8	1,091	0.30		1,091	0.25	415
9	3,286	0.23	199	301	0.28	
10	1,184	0.29		246	0.32	
11	1,257	0.29		331	0.32	
12	1,394	0.29		320	0.32	
13	1,082	0.29		301	0.32	

Source: TRIM Inc.

Chain Store Age
Supermarkets

July 1982

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1982 SALES MANUAL

A product-by-product analysis of supermarket sales

Annual census of retail operations

Best managed billion-dollar chain

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TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

Chain Store Age
Supermarkets

July 1982

1982 SUPERMARKET SALES MANUAL

Annual Census

In a full-spectrum examination of retail operations, *CSA* focuses on the new breeds of store formats

that are rapidly forging new levels of volume in spite of a recession-battered economy **13**

Category Performance

An analysis of the product performance of 39 supermarket categories, in terms of dollar volume, unit movement, gross margins, sales and profit contribution, supplemented with five-year sales trends of key product lines **25**

Baby Foods 109
Bakery Foods 83
Baking Needs 65
Beer & Wine 76
Breakfast Foods 99
Candy & Gum 96
Canned & Dry Soup 33
Canned Fish 56
Canned Fruit 29
Canned Juice 25
Canned Meat & Specialty ... 63
Canned Vegetables 27
Coffee & Tea 49
Cookies & Crackers 133
Dairy Products 87
Deli 74
Desserts & Toppings 42
Dietetic & Lo-cal 105
Dried Fruits & Vegetables ... 81
Frozen Foods 39
General Merchandise 199
Greeting Cards, Stationery, School Supplies 147
Health & Beauty Aids 159
Household Supplies 153
Magazines & Books 186
Meat 90
Nuts 68
Paper, Plastic Film & Foil .. 141
Pasta Products 60

Pet Products 92
Pickles & Olives 127
Produce 137
Sauces & Dressings 44
Snacks 53
Soft Drinks & Mixes 31
Soft Goods 208
Spices & Extracts 35
Spreads & Syrups 113
Tobacco Products 117

Departments

Viewpoint *by Larry Schaeffer* 5
Express Checkout 8
Produce Wrap-Up *by Jim Halloran* 139
GM Report *by Allen "Bud" Levis* 145
What's New 85

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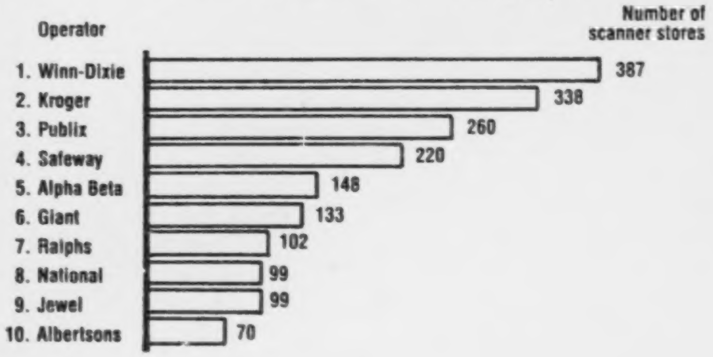
EXPRESS CHECKOUT

Scanners in-line in nearly 5,400 stores

Surpassing even the most optimistic projections of last year, scanner-equipped front-end installations increased to 5,373 as of March 1982—up 1,880 stores over the past year, according to FMI.

The way things are going, FMI indicates, scanning registers could be in place at 20% of United States supermarkets by summer's end. And if retailers continue their present rate of installation, this could conceivably extend the total number of operational scanner-equipped stores to better than 7,000 by March 1, 1983.

Winn-Dixie leads scanning list

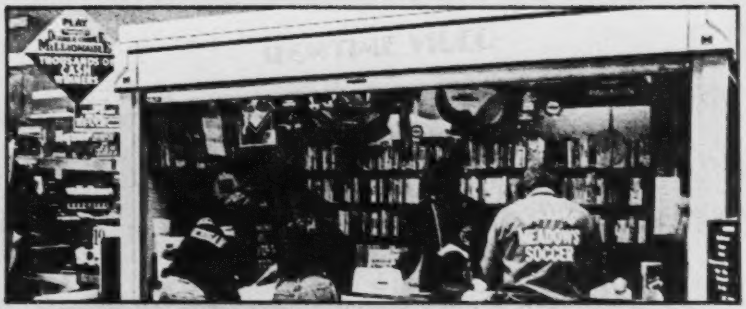


Source: FMI

Among the most dedicated scanner disciples, Winn-Dixie continues to boast the greatest number of systems, adding 101 since last year. Kroger moved up to second place, with 131 more units this year. Safeway equipped 115 additional stores.

NCR continues to dominate the supplier field with a 37.5% share of supermarket installations. IBM and Datachecker share a close second and third of the market at 24.6% and 23.3% respectively. Data Terminal and Sweda have marginal shares at 8% and 5.8%.

Lights, cameras—supers?



Dominick's Finer Foods in Rolling Meadows, Ill., is taking one-stop shopping to its logical extreme—it's leasing space up front to Showtime Video, which, besides selling VCR's, video games and cassettes, is really drawing shoppers with its video cassette rentals.

Showtime Video is in only a few supers but is also in other outlets, including some K marts. Dominick's is pioneering the effort in the northwest Chicago suburbs, where affluent residents are lining up to rent the films—and oh, yes, do their grocery shopping.

GRAPEFRUIT SECTIONS
FRUIT MIX

Hitting the highs and lows at Jewel

Jewel uses some savvy merchandising to find extra profits in its generics aisle.

To balance the *low* margins on the *low*-priced generics, Jewel is cross-merchandising *high*-ticket, *high*-margin general merchandise. Two examples: corkscrews and ice tongs are on j-hooks by the generic wines, while can openers accompany the canned fruit.

So while consumers "Save with Jewel's Generics," Jewel adds to the bottom line with name-brand GM.

Study probes senior shopping habits

With senior citizens spending a larger proportion of their annual household income on food for the home than younger consumers, it's become increasingly important for retailers to know more about the over-65 segment.

With this in mind, the Food Industry Management Program at the University of Southern California School for Business Administration, with the support of the Western Association of Food Chains, undertook a recent study analyzing the perceptions, knowledge and attitudes of this $26 billion market.

Data came from interviews with 960 shoppers at 48 scanner-equipped supers in Greater Los Angeles and Orange County, Calif. By way of comparison, the researchers interviewed shoppers in three age groups: 49 or younger (22%), 50-59 (34%) and 60 or older (44%).

The survey found that nearly all of the seniors interviewed (97%) consider courteous, friendly store employees as the No. 1 factor in supermarket selection. At the same time, this group shops at more than one store more often, and with greater enjoyment, than their younger counterparts.

Following courtesy and friendly employees, seniors rated, in descending order of importance, high-quality meat, convenience of parking and temperature of the store as prime considerations.

The products most purchased by seniors, according to the study, are produce, meat, milk, soft drinks, cereal and canned soup. Interestingly, the study also found that "cream and toppings" were purchased by seniors at a rate three and a half times higher than the national average.

Although 52% of the seniors say they use a shopping list, more than 80% admitted to impulse buying.

S&H unveils high-margin promo

In-store promotions don't have to mean cutting deeply into margins. S&H says its newest stamp program, Fill The Shopping Cart, directs customers toward high-margin items and discourages cherrypicking.

During the six- to 12-week continuity program, retailers feature six high-margin departments—meat, produce, bakery, frozen foods, private label and H&BA—for two weeks apiece. "Because retailers promote departments rather than specific products, they needn't cut prices deeply on any items to build interest. Massive point-of-sale displays attract shoppers," says an S&H spokesman.

Shoppers who buy products from featured departments receive colored stickers at registers and, after collecting all six, are able to redeem sticker cards for books of S&H Green Stamps.

The estimated results for retailers, according to S&H: some $40,000-$45,000 in added sales and $11,000 in gross profits from an $8,000 stamp purchase, for a 37% ROI—that's an average based on $190,000 volume retailers running the program about eight weeks.

The program begins this summer at several Northeastern chains.

SALAD VEGETABLES
SALAD

Salad days for New Jersey shoppers: freshness and convenience in a low-calorie treat.

Foodarama tosses around novel idea

Salad bars are among the hottest trends on the East Coast, so when Foodarama Supermarkets expanded and remodeled its Middletown, N.J., store, it decided to go with what management calls "an idea whose time has come."

Forming one leg of a produce department "y" table, the concept is designed to capitalize on the public's demand for both convenience and low-calorie lines. Although refrigerated, the 16 different salad ingredients and 10 varieties of dressings are packed in shaved ice for freshness appeal.

Customers help themselves, filling pint and quart containers with everything from lettuce to artichoke hearts. Priced at $1.99 per pound, the salads offer not only convenience but the advantage of no waste.

Company spokesman Dorothy Strauber predicts the salad bar will be added to other Foodarama units. "It's going over very well," she says. "The only complaint we've had was from one lady who wanted even bigger containers."

Creative ad efforts rewarded by FMI

Proving once again that supermarket newspaper ads can be anything but mundane, 10 American chains landed FMI-*Woman's Day* 1982 Advertising Merit Awards for excellence in print, radio and TV advertising.

In the newspaper category, Vons, Schnuck's, Heinen's, D&W Food Centers, Giant Eagle Markets, Farmer Jack and Eagle Supermarkets won in a variety of classifications, ranging from price promotion to nutrition to public service.

Pittsburgh, Pa.-based Giant Eagle, for example, earned its award for a full-page newspaper ad about apples, which combines striking graphics with informative copy. In addition to promoting the chain's apple prices, the ad explains how to choose, use, even how to eat an apple. It also includes a chart showing the various apple varieties and their uses in salads, pies and sauce.

Among the winners in the television category was Bedford Heights, Ohio-based Fazio's, a division of Fisher Foods. The 30-second spot had Fazio's head baker explaining that the baked goods are made from scratch on store premises.

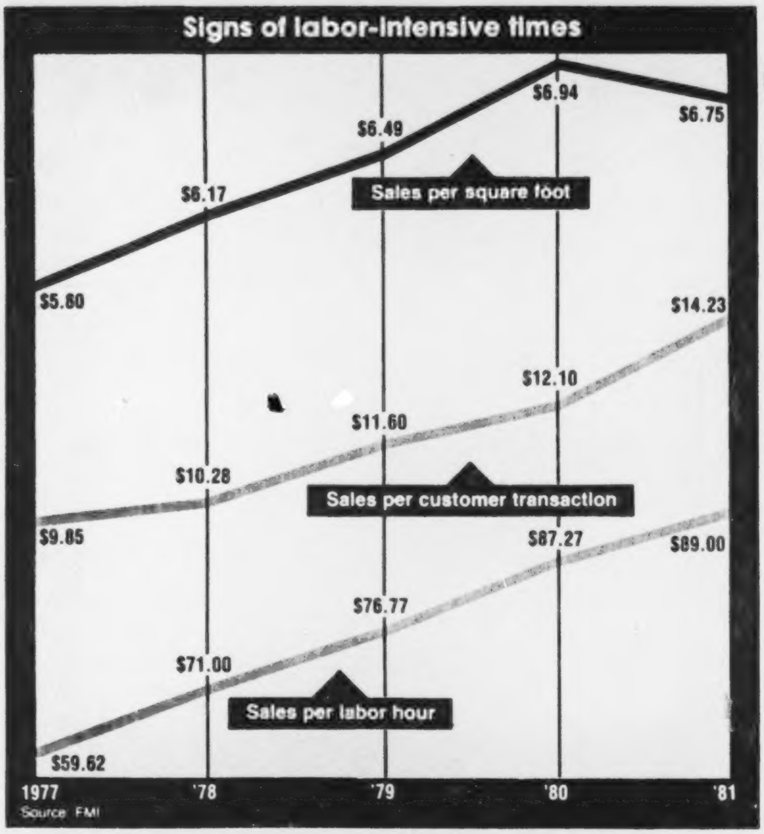
FRESH FISH
Frozen
Froz
Fo
Bak

One-stop shopping, with a touch of class

With unsurpassed fury, the supermarket industry went on the offensive last year to combat an economy stubbornly resistant to recovery. Their weapon: a new breed of superstore uninhibited in design, unmatched in product selection and unassailable in consumer acceptance.

The payout was handsome. While most companies struggled to maintain cash-flow during this seemingly endless period of intensive price competition, many superstore operators were able to laugh in the face of high interest rates by expanding into fresh regions using internally generated funds. By fielding boutique-style specialty departments featuring higher-margin product lines traditionally bought elsewhere,

***Superstores are throwing out** the cookie-cutter and turning run-of-the-mill departments into captivating drawing cards, such as this service seafood corner (top) and self-service frozen food lane (bottom).*



***Productivity last year took a heavy blow** beneath the belt as one of its most important measurements, sales per square foot, actually declined. While the dip was less than 3%, it nonetheless illustrates clearly that the typical sku isn't paying its full rent for the space it occupies. The average sale per customer transaction, on the other hand, was much more encouraging: The figure grew nearly 18%, or nearly twice the rate of inflation. Sales per labor hour, meanwhile, managed a minor rise, but that was more than masked by the inflated dollar.*

these jumbo-size units rang up never-before-attained levels of volume.

Their strategy was a pair of time-worn tactics, effective asset management and innovative merchandising, plus one new dimension: a daring to be different.

Confronted by a penny-pinched consumer and a sorely overstored market, these superstore merchants capitalized on a captive audience by deviating from tradition and offering everything from video equipment to top-fashion apparel. Along the way, run-of-the-mill departments were dressed up with nutritionists, cosmeticians and wine stewards—in short, a truly one-stop-shopping environment, with a touch of class.

Meanwhile, conventional supermarkets continue to be the primary victim of ongoing industry compression. Faced with weakened sales, particularly in recession-battered regions, the closing of stores—even whole divisions—has become a regular occurrence.

Moreover, many operators find themselves backed against the wall by escalating operating costs, which have been further compounded by slower increases in food prices. The ever-pressing need to control assets while finding a product mix that offers the greatest return on investment is probably the biggest challenge food retailers face. But through the continuing development of computer technology grocers are, at the very least, in greater control of what comes in through the backroom and what leaves through the front end.

In 1981, the penetration of scanner-equipped stores made far greater strides than anticipated, indicating the degree of importance retailers now place on productivity. The fact that sales per square foot, *before* adjusting for inflation, took a precarious step backward last year signals a need to concentrate more heavily on this critical measure of a store's performance.

Today's conditions are significantly more challenging than any in the past. Yet today's supermarketer is far better equipped to cope. Those who take advantage of the tools available, while staying one step ahead of the consumer, will thrive no matter how rough the waters get.

Store count-sales gap opens up still further

Here's one trend that's evolved into a tradition: A steady year-to-year increase in food sales, generated by an equally consistent decline in store count.

In 1981, total sales increased from $210.5 billion to $228.8 billion. At the same time, total number of food stores dropped to 192,443—more than 1,500 units under 1980's total of 193,995.

Among chain operated stores, only those companies with 26 or more units ended the year with more stores than they started with—even if it was less than a 2% jump over the previous year.

Apparently, the decrease in the number of units run by smaller, regional chains reflects the relatively prohibitive cost of construction and the general mood of cautiousness borne out of high interest rates and the uncertain economy.

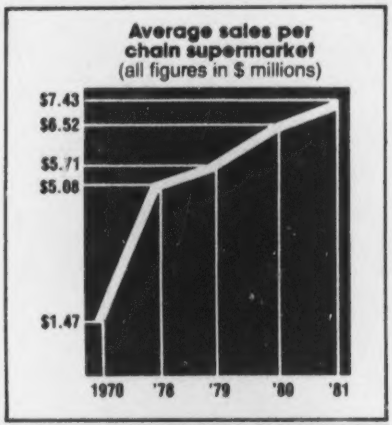
But the most significant statistic is that despite a marked drop in the number of chain-operated and single-owned supermarkets (in line with the reclassification of minimum annual sales of $2 million per unit), supermarkets still managed to increase their percentage of total food sales.

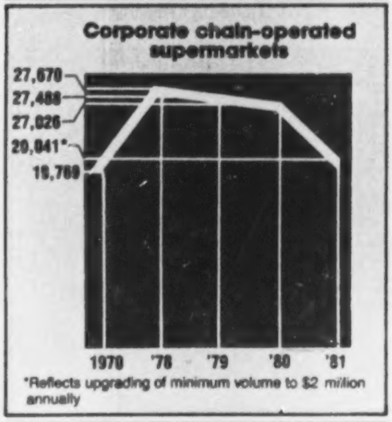
Big chains avoid compression

Calendar year	2-3-store chains	4-10-store chains	11-25-store chains	26+-store chains	Cos. operating no. of chain stores (no. of supers)	No. of single-owned supers	No. of food stores	Total food store sales (000 omitted)	Supermarket store sales (000 omitted)	Supermarket share of food store sales
1972	6,806	4,974	3,851	32,918	4,344 operating 48,549 (20,058)	12,922	246,800	$ 95,020,000	$ 66,501,576	70.1%
1973	6,993	4,970	4,076	34,870	4,501 operating 50,911 (30,062)	13,065	240,000	$105,731,000	$ 75,528,860	71.4%
1974	7,228	5,077	4,246	35,880	4,650 operating 52,431 (30,072)	13,119	236,000	$119,698,000	$ 86,315,872	72.1%
1975	7,027	5,009	4,628	38,367	4,563 operating 55,031 (29,457)	12,579	227,500	$131,426,000	$ 95,678,128	72.8%
1976	6,989	5,495	4,776	37,882	4,645 operating 55,142 (28,745)	11,792	218,500	$140,984,000	$105,822,775	75.0%
1977	6,538	6,140	4,426	41,175	4,478 operating 58,280 (28,269)	11,113	213,750	$152,469,000	$125,043,000	82.1%
1978	6,230	5,690	4,728	42,202	4,294 operating 58,850 (27,670)	11,889	207,250	$170,500,000	$140,700,000	82.5%
1979	6,205	6,032	5,035	43,993	4,409 operating 61,365 (27,488)	12,016	202,700	$186,893,000	$156,900,000	83.8%
1980	5,698	6,119	5,476	47,762	4,576 operating 65,054 (27,026)	12,436	193,995	$210,483,000	$178,700,000	84.9%
1981	5,444	5,909	5,210	48,354	4,039 operating 64,917 (20,041)	10,160	192,443	$228,795,000	$198,754,880	86.9%

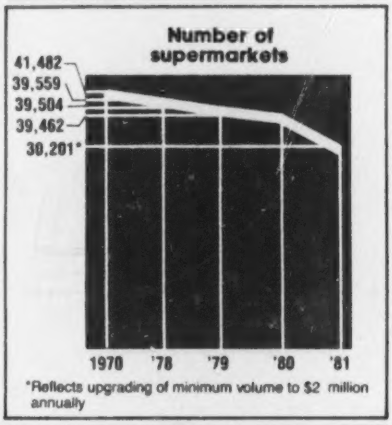
Cos. operating chain stores	2-3-store chains	4-10-store chains	11-50-store chains	51-200-store chains	200+ store chains
	2,374	1,027	140	459	39

Source: Chain Store Guides, *CSA* Research

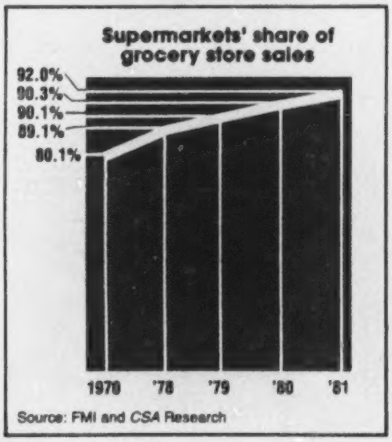

Average sales per chain supermarket
(all figures in $ millions)


Corporate chain-operated supermarkets

*Reflects upgrading of minimum volume to $2 million annually


Number of supermarkets

*Reflects upgrading of minimum volume to $2 million annually


Supermarkets' share of grocery store sales

Source: FMI and *CSA* Research

The top 100 chains

Rank	Chain	Stores (1981)	Stores (1980)	1981 sales volume (000 omitted)	Avg. sales per supermarket (in $ millions)
1.	Safeway	2,477	2,457	$16,580,300	6.9
2.	Kroger	1,258	1,229	11,266,520	8.9
3.	American Stores	747	1,116	7,960,590	10.6
4.	Lucky	541	585	7,201,000	13.3
5.	A&P	1,055	1,490	6,990,316	6.6
6.	Winn-Dixie	1,220	1,200	6,800,000*	5.6
7.	Jewel	483	457	5,107,614	10.5
8.	Grand Union	729	775	4,137,463	5.7
9.	Albertson's	412	397	3,480,570	8.4
10.	SGC (Pathmark)	117	123	2,623,800[1]	22.4
11.	Dillon	218	230	2,520,000*[1]	11.6
12.	Publix	252	245	2,385,000	9.5
13.	Stop & Shop	123	151	1,292,413	10.5
14.	Vons	167	162	2,000,000	12.0
15.	First National	168	185	1,800,000*	10.7
16.	Giant	130	127	1,683,881	13.0
17.	Fisher Foods	128	146	1,492,709	11.7
18.	Waldbaum's	108	138	1,375,787	12.7
19.	National Tea	230	241	1,300,000*	5.7
20.	H. E. Butt	153	150	1,300,000	8.5
21.	Pantry Pride	143	200	1,225,263	8.6
22.	Fred Meyer	48	56	1,187,500*	24.7
23.	Ralphs	101	99	1,132,100	11.2
24.	Red Owl	82	90	1,000,000*	12.1
25.	Borman's	84	96	976,940	11.6
26.	Cullum	117	119	974,934	8.3
27.	Hy Vee	130	131	875,000	6.7
28.	Scrivner	33	71	864,000	26.2
29.	Smith's Mgmt.	124	131	785,000	6.3
30.	Weis	110	107	756,800	6.8
31.	Bi-Lo's (S.C.)	129	117	725,000	5.6
32.	Food Town (N.C.)	152	107	666,848	4.4
33.	Schnuck's	58	52	650,000	11.2
34.	Kohl's	64	76	650,000*	10.1
35.	Raley's	39	34	610,000*	15.6
36.	Allied	75	88	609,384	8.1
37.	Big Bear	61	60	598,000[2]	9.8
38.	Stater Bros.	90	89	565,000	6.3
39.	Price Chopper	55	58	550,000*	10.0
40.	Purity Supreme	43	105	535,000*	12.7
41.	Food Giant	89	96	524,316[3]	5.9
42.	Arden Group	91	105	517,000	5.7
43.	Furr's	76	89	504,000	6.7
44.	DeMoulas	32	28	510,000*	15.9
45.	Thriftimart	43	44	505,957	11.8
46.	Giant Eagle	48	49	500,000*	10.4
47.	Delchamps	66	63	490,000*	7.4
48.	Bruno's	60	50	488,294	8.1
49.	Chatham	46	45	475,000	10.3
50.	Wegman's	35	34	470,000*	13.4

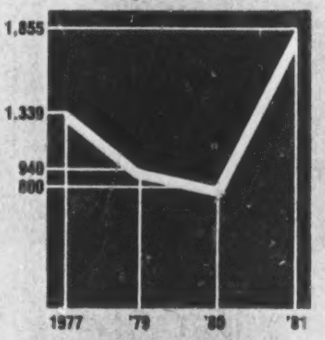
Source: *CSA* Research based on company annual reports, S.E.C. 10K Forms and other financial statements. Estimates (indicated by an asterisk*) are used in the absence of published data.

The top 100 chains

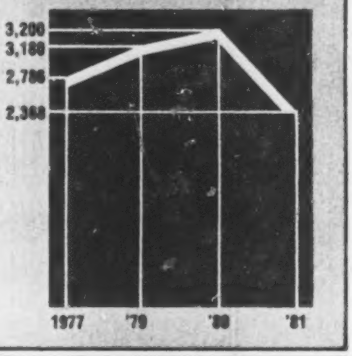
Rank	Chain	Stores (1981)	Stores (1980)	1981 sales volume (000 omitted)	Avg. sales per supermarket (in $ millions)
51.	**Nash-Finch**	103	100	468,085	4.5
52.	**Super Valu**	104	144	466,600	4.5
53.	**Big V**	30	27	456,448	15.2
54.	**Pueblo Int'l**	43	41	452,823	10.5
55.	**Peter J. Schmitt**	80	28	451,849	5.6
56.	**Sentry**	49	48	447,136	9.1
57.	**Smitty's**	20	19	442,286	22.1
58.	**Shopwell**	69	72	433,133	6.2
59.	**Seaway Foodtown**	74	74	428,510	5.8
60.	**Foodarama**	35	39	421,508	12.0
61.	**King Kullen**	55	53	410,309	7.5
62.	**Harris-Teeter**	72	80	401,002	5.6
63.	**Shaw's**	40	37	400,000	10.0
64.	**Hughes**	36	35	400,000*	11.1
65.	**Penn-Traffic**	70	47	388,806	5.5
66.	**A. J. Bayless**	58	60	384,038	6.6
67.	**Schwegmann's**	11	10	380,000*	34.5
68.	**Meijers**	36	31	350,000*	9.7
69.	**Tamarkin**	45	41	350,000*	7.8
70.	**Ingles**	82	74	343,860	4.2
71.	**Schultz Sav-O**	39	37	336,706	8.6
72.	**Almac**	39	41	325,000*	8.3
73.	**The Boys**	31	40	320,000*	10.3
74.	**Red Food**	38	34	305,000*	8.0
75.	**S. M. Flickinger**	81	53	302,353	3.7
76.	**Randall**	38	36	300,000*	7.9
77.	**Fred W. Albrecht**	24	23	300,000*	12.5
78.	**Victory Markets**	92	103	300,859	3.3
79.	**Tradewell**	118	118	300,756*	2.5
80.	**Jitney Jungle**	49	53	300,000*	6.1
81.	**Mayfair Foodtown**	35	34	292,000	8.3
82.	**Mott's**	25	25	289,343	11.6
83.	**Star Supermarkets**	40	41	281,054	7.0
84.	**Brookshire**	66	62	270,000*	4.1
85.	**Lowes (N.C.)**	73	77	270,000*	3.7
86.	**Village**	20	20	269,000	13.4
87.	**Country Club**	52	44	265,000*	5.1
88.	**Piggly Wiggly (R.R.)**	61	64	260,000*	4.3
89.	**Minyard**	52	52	255,000*	4.9
90.	**MelMarkets**	16	14	250,000*	15.6
91.	**Fareway**	39	38	250,000*	6.4
92.	**Farm Fresh**	21	17	250,000*	11.9
93.	**Milgram**	41	49	240,000*	5.8
94.	**Food World**	48	38	240,000*	5.0
95.	**Giant (Pa.)**	31	29	226,000*	7.3
96.	**Randall's (Houston)**	18	15	219,509	12.2
97.	**Handy Andy**	27	52	218,566[2]	8.1
98.	**Consumers Market**	30	30	216,000*	7.2
99.	**Houchens**	54	55	210,000	3.9
100.	**Laneco**	25	27	182,991	7.3

[1] Supermarket operations only
[2] Total company sales
[3] Ended Jan. 31, 1981

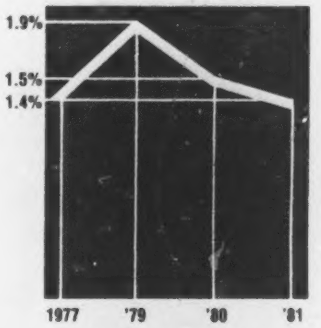
Number of new supermarkets



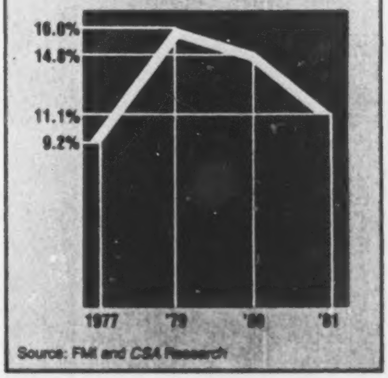
Number of remodels completed



Net profit margin (before taxes)



Wholesale sales increase



Source: FMI and *CSA* Research

Publix returns to spotlight as premier chain in 1981

Recaptures honor by proving that sound assets mean sounder futures

If the greatest challenge facing retailers today is proper asset management, then the repeat performance of Publix Super Markets as *CSA*'s best-managed chain of the year should come as little surprise.

In 1981, Florida's premier operator, which copped the coveted title two years ago, illustrated its unparalleled ability to invest heavily in the future without having to rely on outside financial resources. Underlining the point further: Publix was second only to Safeway in the amount of money it invested in new stores and facilities as a percentage of sales. During fiscal '81, the chain spent close to 60% of its $87.2 million in working capital from store operations on property, plant and equipment.

While net earnings rose a less than spectacular 7.6% in '81 from the prior year on sales of $2.39 billion, the softer showing is actually a reflection of strategic future planning, not flawed business savvy. The evidence: Last year, the company opened nine new supermarkets, remodeled 14, built a 56,000-sq.-ft. addition to its Lakeland, Fla.-bakery plant, a 204,000-sq.-ft. addition to its Jacksonville warehouse and purchased properties in Deerfield Beach and Sarasota County for future depot sites.

In its current fiscal year, the company will add 70,000 sq. ft. to its Lakeland warehouse and will build a dozen 36,000-sq.-ft. supermarkets throughout its Lakeland, Jacksonville and North

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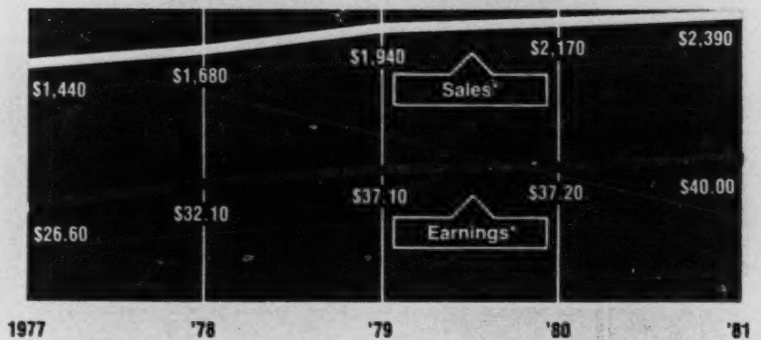
publix
DANISH BAKERY


An era of steady growth

Source: Company Annual Report, S.E.C. Form 10K

*in $ millions

Why Publix is the hottest performer

Criterion	Calibration	Rank
Return on assets (ROA)	9.0%	2
Return on equity (ROE)	16.2%	*
Average growth rate ('77-'81)	10.1%	*
Financial leverage	1.7 to 1	*
Debt/equity ratio	0.05 to 1	1
Capital investment (% of sales)	2.7%	2
Operating income (% of sales)	3.1%	4
Cash flow (AP/I)	94%	1
Sales per supermarket	$9.5 million	4
Sales per employee	$79,506	*
Assets/liability ratio	36.7 to 1	1

*Not rated

Source: *CSA* research, Company Annual Reports

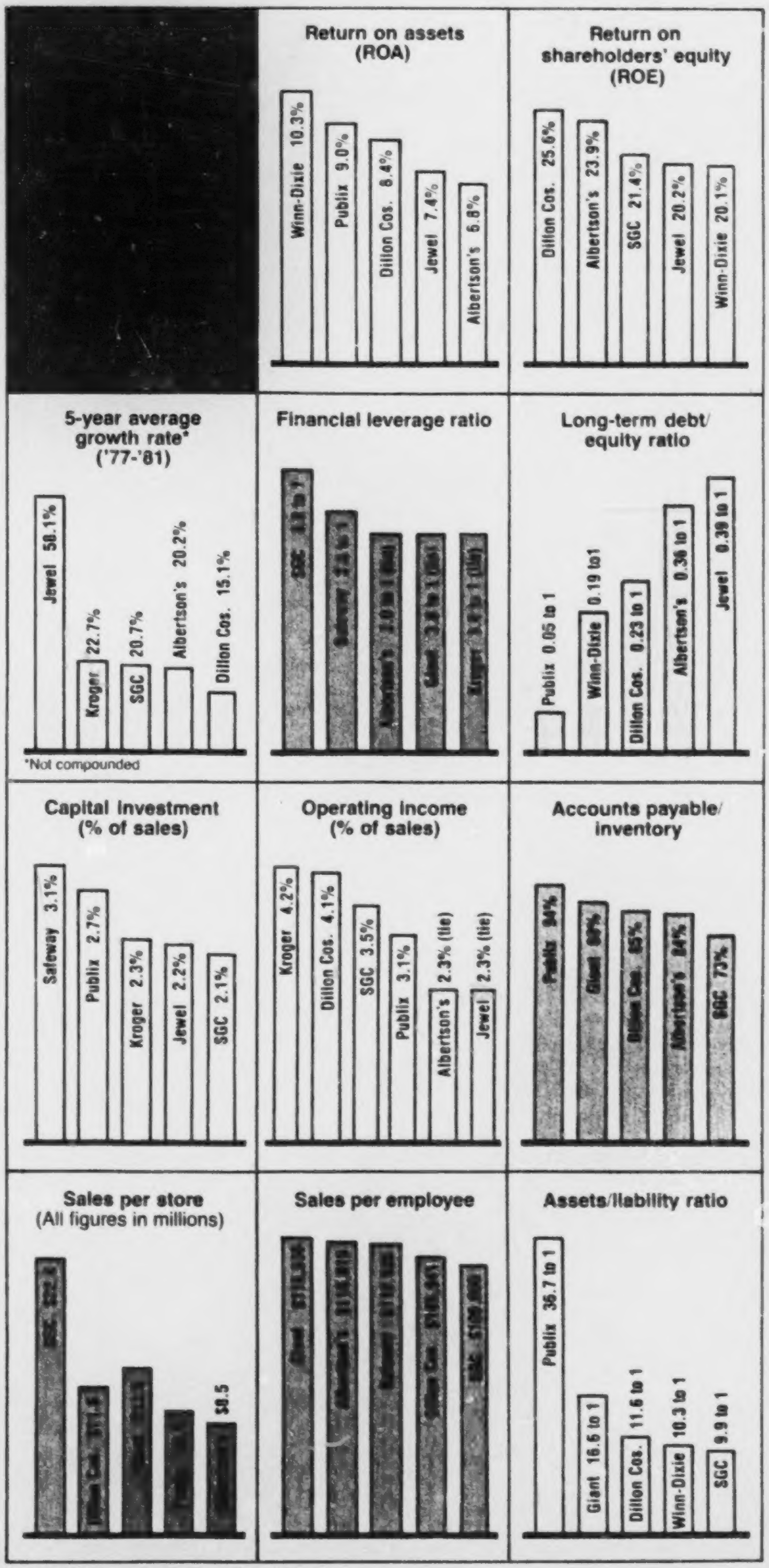
Miami divisions.

Altogether, Publix was the top performer as measured by the 11 crucial financial yardsticks developed by *CSA*'s corps of researchers and analysts, scoring three first-place finishes, two seconds and two fourths. Last year's winner, Giant Food, made a strong bid to recapture the title with four first- and second-place finishes.

Interestingly, the company has demonstrated its ability to more than overcome the obstacles of inflation and ever-narrowing margins without being as diversified as the other major billion-dollar chains. Strictly food-oriented, with a high-polish image, the 252-unit operator is confident that success does not necessarily hinge on heavy doses of general merchandise.

Contributing significantly to the company's steady growth is the fact that Florida is one of only nine states that in the past decade has enjoyed a more than 30% increase in population.

One other point of interest: Publix's total conversion to scanning paid off at least in one respect last year as its sales per store increase over the prior year pushed the chain into fourth place among the companies measured. In 1980, this year's best-managed chain didn't make the top five.



Source: *CSA* Research, Company Annual Reports

Retailers view superstores as growth vehicle

While variations in store formats appear to be uppermost in the minds of most supermarket operators these days, one trend remains constant: the dominance of the superstore.

In 1981, stores of 30,000 sq. ft. generating sales in excess of $5 million accounted for roughly 60% of total sales. The 9,923 units that fall into this category rang up $120.5 billion worth of business last year, compared to $98.2 billion in 1979. Putting this into perspective, that's virtually double the total sales of all supermarkets just one decade ago.

Moreover, a recent survey of the presidents of the top 100 leading supermarket chains, conducted by *Chain Store Age Supermarkets*, indicates that this concentration of volume will become even greater in the years ahead. Of the nearly 1,200 new units scheduled to be constructed in 1982, approximately 1,000 will come into the superstore or combination store class.

Changes taking place inside these stores are also expected to strengthen the dominance of jumbo-size units, as the trend to historically nonconventional specialty departments—such as reading centers, cosmetics boutiques and nutritional centers—further bolsters store profitability through higher-margin lines.

The typical new superstore in 1982 will be over 50,000 sq. ft.

Big chains score big gains

Store classification	Units	Sales (000 omitted)	Supers' % of super. groc. and conv. sales	Supers' % of total sales
1970				
Supermarkets	41,482	$ 60,898,000	80.1%	74.8%
Supers, groceries and convenience stores	209,400	76,028,000		
Others	69,600	5,394,000		
Total food stores	279,000	81,422,000		
1978				
Supermarkets	39,559	140,700,000	89.1	82.5
Supers, groceries and convenience stores	156,520	157,980,000		
Others	61,154	12,520,000		
Total food stores	207,250	170,500,000		
1979				
Supermarkets	39,504	156,900,000	90.1	83.9
Supers, groceries and convenience stores	142,730	174,093,000		
Others	59,970	12,800,000		
Total food stores	202,700	186,893,000		
1980				
Supermarkets	39,462	178,700,000	90.3	84.9
Supers, groceries and convenience stores	133,820	197,895,000		
Others	60,175	12,588,000		
Total food stores	193,995	210,483,000		
1981				
Supermarkets	30,201*	198,755,000	92.0	86.9
Supers, groceries and convenience stores	132,638	216,120,000		
Others	59,805	12,675,000		
Total food stores	192,443	228,795,000		

Note: According to the U.S. Census of Business, food stores include grocery stores, meat and fish markets, fruit and vegetable stands, candy, nut and confectionery stores and retail bakeries.
Source: Chain Store Guides, CSA Research

Superstores' share hits 60%

Supermarkets	Chain-owned	Single-owned	Total	1981 sales (000 omitted)
$2 million to $3 million	3,105	5,021	8,126	$ 22,863,000
$3 million to $4 million	2,527	1,746	4,273	16,729,000
$4 million to $5 million	6,484	1,395	7,879	38,691,000
$5 million to $10 million	5,030	1,211	6,241	53,920,000
Over $10 million	2,895	787	3,682	66,551,000
Total	20,041	10,160	30,201	$198,754,000

Source: *CSA Research*

*Reflects reclassification to $2 million supermarkets

Larger wholesalers flex muscles to broaden hold

Food wholesalers riveted their attention last year to a pair of unrelated developments within their segment of the industry: further compression through acquisition, and an increase in the servicing of small- to medium-size chains.

Cost-efficiency has always been a crucial factor in the wholesale business; in a sick economy, it's a necessity. Armed with wider product lines and greater support capabilities, larger wholesalers held a critical edge over their smaller counterparts, enabling them to forge ahead in their expansion drives. Along the way, there were three major takeovers: McLain into Fleming, Fox Grocery into Wetterau and Scot-Lad into Farm House.

Despite this concentration, wholesalers encountered only modest sales growth. Consequently, several began looking beyond traditional independent retailer clients to broaden their base of chain customers.

At the same time, a few wholesalers witnessed significant sales increases by fielding or supplying warehouse-style markets. Two such cases: Kansas City-based Associated Wholesale Grocers established a warehouse format in its operating region, leading the way to an unprecedented 20%-plus share of market by this type of unit; the nation's largest wholesaler, Super Valu, is causing a stir in the Minneapolis area with its five super-size class Cub warehouse stores.

While sales growth for the average wholesaler rose only 11.1% in 1981, compared to 14.8% in 1980 and 16% in 1979, the number of wholesalers generating over $1 billion in sales annually has climbed from seven to 10 in one year. And two others are rapidly closing in on the eight-digit figure.

Here's one other healthy sign: While average gross margins dipped slightly last year, pretax net showed a modest gain.

Billion-dollar club expands

Company	Type	Total stores served	Supers	Estimated volume (000,000 omitted)
1. Super Valu	Vol.	2,118	2,020	$3,600
2. Fleming Companies	Vol.	2,900	925	3,399[1]
3. Wakefern	Co-op	252	198	2,200
4. Malone & Hyde	Vol.	2,200	2,200	2,146
5. Wetterau	Vol.	1,400	840	1,957[2]
6. Certified Grocers of Calif.	Co-op	4,000	900	1,600
7. Associated Wholesale Grocers	Co-op	800	600	1,239
8. Farm House Foods	Vol.	2,000	2,300	1,211[3]
9. S.M. Flickinger	Vol.	1,100	190	1,198
10. Super Food Services	Vol.	823	500	1,037
11. United Grocers Ltd.	Co-op	2,014	880	982
12. Spartan Stores	Co-op	450	450	901
13. Scrivner Inc.	Vol.	1,086	205	864
14. Certified Grocers of Illinois	Co-op	500	500	741
15. Richfood Inc.	Vol.	750	180	687
16. Waples-Platter	Co-op	75	75	650
17 Twin County Grocers	Co-op	180	180	630
18. Alfred M. Lewis	Vol.	5,000	800	625
19. Associated Grocers—Seattle	Co-op	294	183	625
20. Nash-Finch	Vol.	368	368	591
21. Niagara Frontier Services	Vol.	127	78	574
22. Associated Grocers—Colorado	Co-op	647	371	560
23. Springfield Sugar	Vol.	250	211	550
24. Associated Food Stores—Utah	Co-op	725	277	549
25. Associated Grocers—Arizona	Co-op	1,500	320	534
26. Hannaford Bros.	Vol.	127	99	530
27. United Grocers Inc.—Oregon	Co-op	400	300	520
28. Roundy's	Vol.	278	154	501
29. American-Strevell	Vol.	200	100	500
30. Gateway Foods	Vol.	400	200	500
31. White Rose Food Corp.	Vol.	125	109	480
32. Key Food Stores	Co-op	158	30	475
33. Grocers Supply Co.	Vol.	700	175	440
34. Godfrey	Vol.	90	90	400
35. Frankford-Quaker	Vol.	500	75	350
36. Peter J. Schmitt	Vol.	200	84	350
37. B. Green Co.	Vol.	220	130	350
38. Merchants Distributors	Vol.	450	400	325
39. American Seaway Foods	Vol.	450	240	310
40. URM Stores	Co-op	255	102	300
41. Creasey Company	Vol.	70	70	280
42. General Grocer	Vol.	300	85	260
43. Krasdale Foods	Vol.	1,200	250	250
44. Certified Grocers—Florida	Co-op	1,500	150	257
45. Associated Grocers—St. Louis	Co-op	397	296	240
46. Central Grocers Co-operative	Co-op	200	50	230
47. West Coast Grocers	Vol.	300	50	224
48. Affiliated Foods—Amarillo	Co-op	490	233	224
49. Piggly Wiggly Operators Warehouse	Co-op	150	148	223
50. Cressy Dockham & Co.	Co-op	250	250	225

[1] Includes the acquisition of The McLain Company.
[2] Includes acquisition of Fox Grocery.
[3] Includes acquisition of Scot-Lad Foods.

Source: *CSA* Business Guides, *CSA* Research

Wide mix of sales gainers and losers

Product Category	% of 1981 Average Gross Margins	% of 1981 Total Supermarket Sales	% of 1981 Gross Profit $	1981 Supermarket Sales ($ Millions)	1980 Supermarket Sales ($ Millions)	% Diff.
Canned Vegetables	20.5	1.43	1.19	$ 2,933.14	$ 2,574.08	13.95
Canned Fruit	20.9	0.62	0.54	1,270.04	1,145.34	10.89
Canned Juice	20.8	1.22	1.06	2,514.24	2,054.87	22.36
Canned Meat/Specialties	22.1	0.71	0.63	1,443.37	1,176.86	22.65
Canned & Dry Soup	20.4	0.91	0.81	1,876.93	1,687.49	11.23
Canned Fish	16.5	1.09	0.77	2,251.15	1,989.44	13.15
Canned & Dry Milk	13.0	0.21	0.13	430.62	395.80	8.80
Breakfast Foods	18.9	1.77	1.40	3,643.17	2,921.87	24.69
Pasta Products	23.3	0.50	0.50	1,029.46	966.27	6.54
Dried Vegetables	24.1	0.36	0.37	734.26	649.96	12.97
Dried Fruit	26.3	0.17	0.20	353.10	312.04	13.16
Frozen Foods	28.5	6.13	7.32	12,615.61	11,492.01	9.78
Dairy Products	24.0	10.92	11.00	22,480.96	20,182.84	11.39
Soft Drinks & Mixes	28.4	3.79	4.53	7,800.72	6,542.74	19.23
Coffee	13.8	1.93	1.14	3,981.04	4,139.89	− 3.83
Beer	25.8	2.78	3.01	5,724.14	5,017.51	14.08
Wine	39.3	0.26	0.43	536.64	443.24	21.07
Tea	22.2	0.32	0.30	667.82	581.53	14.84
Bakery Foods	20.5	3.27	2.82	6,737.79	6,400.42	5.27
Cookies/Crackers	26.0	1.99	2.18	4,106.04	3,705.51	10.81
Snacks	27.6	1.22	1.40	2,506.21	2,299.54	8.99
Sugar	13.8	0.49	0.28	1,011.37	1,134.69	− 10.86
Premixes & Baking Needs	21.7	0.95	0.86	1,964.05	1,655.15	18.66
Oils & Shortenings	16.5	0.53	0.36	1,085.20	999.96	8.52
Spices	33.1	0.47	0.64	950.19	789.04	20.42
Flour	13.6	0.30	0.17	620.12	560.26	10.68
Pickles/Olives/Relishes	27.5	0.49	0.57	922.34	766.87	31.14
Dressings	16.7	0.70	0.48	1,437.53	1,320.51	8.86
Sauces	23.3	0.86	0.82	1,772.52	1,389.32	27.58
Desserts & Toppings	21.4	0.33	0.27	668.25	562.74	18.75
Spreads	21.3	0.60	0.54	1,228.33	1,005.84	22.12
Syrups	21.4	0.21	0.19	434.31	386.51	12.37
Pet Products	22.8	2.31	2.22	4,766.14	3,959.05	20.39
Candy & Gum	31.8	1.36	1.83	2,795.34	2,253.30	24.06
Baby Foods	10.2	0.47	0.21	956.55	785.35	21.80
Nuts	28.5	0.39	0.47	804.38	757.05	6.25
Diet/Lo-cal/Health Foods	25.7	0.34	0.36	701.60	603.66	16.22
Tobacco Products	14.7	4.06	2.49	8,365.60	7,799.31	7.26
Health & Beauty Aids	26.9	5.08	5.68	10,444.79	9,315.03	12.13
Paper/Film/Foil	20.9	2.80	2.46	5,757.92	4,857.94	18.53
Soaps & Detergents	16.8	1.91	1.33	3,923.41	3,193.12	22.87
General Merchandise	35.1	2.08	3.05	4,277.95	3,521.69	21.47
Laundry & Ironing Aids	19.6	0.53	0.42	1,093.15	943.21	15.90
Cleansers	24.7	0.69	0.70	1,417.12	1,207.40	17.37
Books & Magazines	28.0	0.71	0.82	1,450.91	1,205.62	20.35
Greeting Cards, Stationery/School Supplies	47.3	0.32	0.62	633.01	519.63	21.80
Soft Goods	40.5	0.47	0.79	962.95	935.31	2.96
Waxes & Polishes	30.7	0.16	0.18	324.00	286.71	13.01
Cleaning Implements	36.3	0.19	0.28	397.53	345.61	15.02
Misc. Household Supplies	32.4	0.22	0.30	443.22	355.71	24.60
Produce	31.2	7.76	10.17	15,978.65	14,612.08	9.35
Meats	20.5	17.23	14.84	35,485.35	33,247.47	6.73
Unclassified	37.6	0.04	0.07	89.44	754.61	−88.14
Total	23.8	100.00	100.00	$198,754.88	$178,709.00	11.22

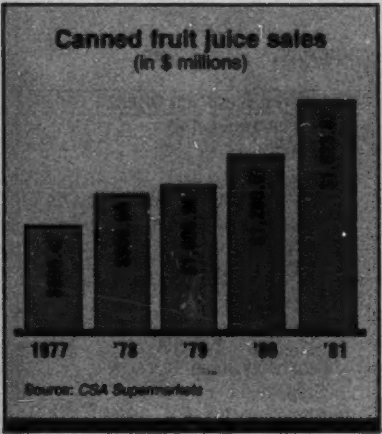
Total supermarket sales managed to barely outpace inflation last year, increasing slightly more than 11% to just under $200 billion. Consequently, shares of total store volume by the three major categories—meat, produce and dairy—each slipped slightly despite respective sales increases.

However, partially contributing to their overall decline in contribution was the expansion of new product lines. Previously either nonexistent or insignificant, subcategories such as nutritional foods, salad bars and pizza shops, to name a few, sprouted up.

In the nonfoods area, general merchandise, books and magazines and greeting cards each made strong gains with better than 20% sales hikes. Health and beauty aids, while staying ahead of inflation, performed less admirably, but sales did exceed the lofty figure of $10 billion in '81.

Fruit-flavored drinks squeezed out a modest comeback, but the big news turned out to be naturals—and 'paper bottles'

Tropicana Chugger
Hi-C



Source: CSA Supermarkets

Aseptically speaking, new process stirs creative juices

If a big money gamble by leading manufacturers pays off, the canned juice category in 1981 will be remembered not so much for what happened, but for what began.

Manufacturers like Coca-Cola, Ocean Spray and Borden are wagering that consumers will accept aseptic packaging, a recently F.D.A.-approved process that will put juices on supermarket shelves in paper containers.

Applicable for all juices (including fresh fruit juices), the aseptic packaging process works by heating the juice to ensure a shelf life of up to six months, and then sealing it in airtight foil-lined paper.

Currently in test markets around the country, aseptic packaging is generating tremendous excitement among retailers. Jack Canny, a spokesman for Ocean Spray, which is offering Cran'apple in what it calls the Paper Bottle, explains why it is attracting so much attention: "In recent years, the costs of bottling and canning have risen dramatically. But just as importantly, everyone knows what's happened to the cost of energy, and the Paper Bottle doesn't need refrigeration. It's also cheaper to produce, offers retailers more shelf space and is far easier to handle and store."

Ocean Spray was the first United States company to use aseptic packaging, and after what Canny describes as "very successful" test-marketing in Northeast cities, the company has added a second flavor and is gearing up for more rollouts.

Coca-Cola has jumped on the bandwagon with its Hi-C fruit-flavored drinks, which are now in regional distribution in the Southwest. Borden's entry is fresh orange juice, and the company has plans to introduce aseptically packaged grapefruit and apple juices.

These manufacturers are offering their juices, to begin with, in a single-serving, 250ml (8½-oz.) size. Indicative of the cost-effectiveness of the process, Ocean Spray is able to offer its entry at prices 10% lower than an equal amount of juice packed in rigid containers. And its soon-to-be-released liter size magnifies those savings, with prices as much as 25% less than juice that's canned or bottled.

Response so far has been very positive. "There's been a great deal of consumer acceptance in our target markets, primarily the 6 to 12 age group for whom the 8½-oz. size of the product is ideal," says Janice Gibson of Coke.

"We think it's going to have a major impact on the canned juice," adds Betty Garrett of Borden, which has just installed new manufacturing facilities to double output capacity.

Fruit juices: The rising tide of natural foods was a powerful force in canned juices in 1981. After a relatively flat 1979, fruit juice sales jumped over 27% in 1980, and in 1981 matched that performance with a 26.9% dollar sales climb.

"Without question, there's a general trend toward health-consciousness on the part of the American consumer, and [fruit] juices are a part of that," says Jim Legat, vice president of marketing sales for Tree Top apple juice.

And apple juice, representing nearly 24% of all department sales, was a prime benefactor of this trend in 1981. Sales rose over 31% last year, which translates into nearly $600 million.

Apple juice was not the only fruit juice that had a bright year. Grape

Canned Juice: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Powdered Breakfast Drinks	**3.32**	**$ 83.48**	**$ 60.28**	**38.49**	**3.21**	**$ 16.78**	**4**	**20.1**
Fruit-Flavored Drinks	**18.89**	**475.02**	**414.88**	**14.50**	**15.99**	**83.67**	**49**	**17.6**
Orange	2.61	65.59	56.74	15.60	2.21	11.54	6	17.6
Grape	2.13	53.66	51.42	4.36	1.64	8.59	6	16.0
All Other Single Flavors	2.37	59.63	47.87	24.57	2.18	11.39	8	19.1
Pineapple-Grapefruit	0.87	21.86	24.82	−11.92	0.89	4.66	2	21.3
Punches	5.38	135.15	125.88	7.36	4.18	21.89	15	16.2
All Other Combination Flavors	5.53	139.13	108.15	28.65	4.89	25.60	12	18.4
Ades & Bases	**1.26**	**31.80**	**33.69**	**− 5.60**	**1.37**	**7.19**	**3**	**22.6**
Fruit Juices	**64.59**	**1,623.82**	**1,280.07**	**26.85**	**69.08**	**361.62**	**90**	**22.3**
Apple Juice & Cider	23.79	598.25	455.65	31.30	28.46	148.96	26	24.9
Cranberry Juice	9.88	248.44	203.89	21.85	8.92	46.71	8	18.8
Grape Juice	4.82	121.24	92.19	31.51	5.00	26.19	8	21.6
Grapefruit Juice	8.06	202.73	171.98	17.88	7.67	40.14	10	19.8
Lemon Juice & Lime Juice	1.98	49.69	46.10	7.79	2.30	12.02	6	24.2
Orange Juice	1.98	49.69	44.32	12.12	2.03	10.63	4	21.4
Pineapple Juice	3.48	87.45	67.37	29.81	3.34	17.49	4	20.0
Prune Juice	4.11	103.35	88.65	16.58	3.63	19.02	7	18.4
Nectars	2.06	51.68	44.32	16.61	2.37	12.40	7	24.0
All Other Fruit Juices	4.43	111.30	65.60	69.66	5.36	28.05	10	25.2
Vegetable Juices	**11.54**	**290.18**	**255.31**	**13.66**	**9.88**	**51.73**	**22**	**17.8**
Tomato Juice	4.82	121.24	115.24	5.21	4.28	22.43	11	18.5
Tomato Cocktail	0.95	23.85	17.73	34.52	1.02	5.32	3	22.3
Vegetable Cocktail	5.53	139.13	117.02	18.89	4.33	22.68	6	16.3
All Other Vegetable Juices	0.24	5.96	5.32	12.03	0.25	1.31	2	21.9
All Other Canned Juices	**0.40**	**9.94**	**10.64**	**− 6.57**	**0.47**	**2.48**	**1**	**24.9**
Total	**100.00**	**$2,514.24**	**$2,054.87**	**22.36**	**100.00**	**$523.46**	**169**	**20.8**

% of total store volume . . . 1.22%

juice, a $120 million subcategory, enjoyed a sales climb of over 31% because of the trend toward healthier eating, say manufacturers. Also riding the natural wave was pineapple juice, with a sales climb of nearly 30%.

Even more dramatic was the performance of miscellaneous fruit juices, like Ocean Spray's blended juices. Overall, subcategory sales were up some 69%, and as an Ocean Spray spokesman explains, "We've been successful by stressing these are good-for-you beverages, and we've been able to take away the bitterness of juices like grapefruit by mixing juices to create an attractive alternative to regular soda."

There's more good news in fruit juices. In 1980, canned orange juice sales suffered an 8.7% decline in dollar volume, largely because a severe frost forced prices higher, which nudged consumers to look elsewhere to quench their thirsts. Though weather problems continued last year, they weren't as severe, and canned orange juice managed to battle the continued popularity of concentrate and chilled juices en route to a 12.1% increase.

Still, the makers of Tang, the leader in powdered breakfast drinks, believe that the higher prices for orange juice are behind the subcategory's 20.3% sales rise. "Apparently, consumers are buying Tang instead of orange juice," believes associate product manager Don Blaustein. "We've relaunched Tang. It's a new product with new taste and a new advertising campaign. Tang had a fantastic year, with its highest year-to-year volume growth. It goes somewhat against the natural trend, but kids prefer the taste, and parents buy it for that reason. And Tang is also perceived as somewhat of a natural product," says Blaustein.

Vegetable juices: Along with powdered soft drinks, vegetable juices had a strong year, with manufacturers speculating that this subcategory has found a niche between all-natural fruit juices and fruit-flavored drinks. Sales for all vegetable juices were up 14%, headed by a 34.5% climb for tomato cocktails.

Fruit-flavored drinks: The closest thing to bad news in canned juices was the performance of fruit-flavored drinks.

Sales were up a solid, if not spectacular, 14.5%, which if nothing else represents a turnaround from 1980, when sales increased only 3%.

The losers in this subcategory were orange and grapefruit-flavored drinks, both of which posted negligible sales gains. But combination flavors, aided by falling sugar prices and continued big-buck advertising support for items like RJR's Hawaiian Punch and Coca-Cola's Hi-C, turned in a good year, with sales up over 25%. ☐

CANNED VEGETABLES

Oversupplies, fresh and frozen rivals have taken their toll, but low prices, good value are luring shoppers back to canned

In a two-sided pinch

Supermarket operators probably won't be looking for star-studded sales from tin can alley this year, otherwise known as the canned vegetables aisle. The lights are low on most product growth because of shoppers' continuing move to the fresh produce and frozen foods sections.

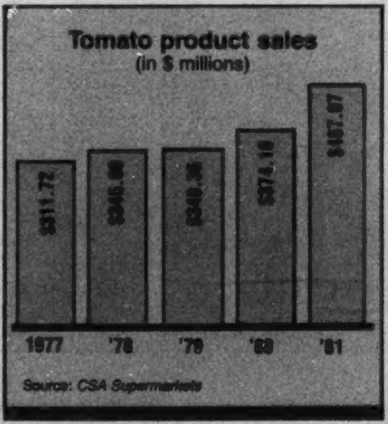
Growing interest in home gardening isn't helping sales either, but two trends may provide a slight uplift for category volume: Sales tend to be counter-recessionary, since shoppers perceive canned vegetables' low prices as being good value; and baby boomers with extra mouths to feed may look to the category as a means of economizing.

Meantime, the 80's have been rough on canners of most commodities. Sluggish overall demand has forced a dramatic drop in the number of canners, as well as canneries.

Plant overcapacity and slowed consumption of canned vegetables is causing canners to further intensify trade allowance programs to help move product at retail. "But you can't force-feed consumers, so some inventories remain," says one major canner.

Unfortunately for many canners, 81's ideal weather throughout most growing areas produced record yields per acre of many crops, further aggravating the inventory situation. Carrying huge crop stocks at high interest rates generated many consolidations among canners and caused the closing of several independents.

As an indication of the situation's gravity, a U.S. Department of Agriculture economist points out that some domestic mushroom growers who have traditionally grown for processors are now aiming at the fresh market because that's where sales are expanding.



Source: CSA Supermarkets

Granted, the mushroom category is unusual in that imports grab over half of domestic sales, whereas imports are minor factors in all other canned vegetables sales. But it's evidence that canners are being squeezed on all sides, and they're working hard to align supplies and pricing with consumer demand.

To do this, they're lowering planting intentions for '82. Heading down is the trend that has continued since the abundant '79 pack and is certainly expected following '81 yields. Canners indicate they'd rather have less of certain commodities to help firm up their pricing.

Assuming this helps improve their balance, brand-name canners still have to cope with burgeoning private label and generic canned vegetables. "Brand loyalty ends when the price is too high," says one major canner. And in this price-sensitive category, market shares are vulnerable.

However, canners realize they can't commit big dollars to consumer promotion programs while being forced to sell products at low prices to remain competitive; thus, efforts to reach consumers are not currently being emphasized.

A look at vegetable stocks and planting intentions reveals certain price trends for the coming year, such as:

Peas: Flat prices are anticipated as case disappearance, a measure of demand, will be at its lowest level in at least 15 years, the U.S.D.A. says. Supplies are currently off 8% because of a 9% smaller pack in '81 than '80 and a 1.5% drop in carryover. Yet sluggish demand will continue to moderate prices.

However, smaller sieve-size peas, such as Green Giant's Le Sueur and Stokely Van Camp's Finest Party Pea, are still attracting shoppers who crave tenderness and taste and are willing to pay slightly more for it.

Snap beans: A planned 20% reduction in pack size, following 81's 5% drop in pack, is expected to help move prices back onto an upward track by late '82 despite flat demand. Prices have fallen since last summer because of the recession and competition from fresh produce.

Corn: The second-largest pack of all time, 57.95 million cases (24/303's), resulted from great weather bringing a record yield of 5.64 tons per acre in '81. This 15% increase in pack from '80 is causing canners to moderate contract intentions this year. The '82 pack may fall 3-5 million cases, according to the U.S.D.A., but no price run-up is anticipated because of it.

Tomatoes: Historically, tomato yields are up one year and down the next. But 79's abundant pack still has a psychological effect on processors, who don't want another similar squeeze. Since they've held down supplies of canned tomatoes and tomato goods the past two years—including a drop of 11% for the '81 pack—supplies are finally in line with demand. ☐

Canned Vegetables: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Baked Beans	**10.90**	**$ 319.99**	**$ 294.85**	**8.53**	**9.47**	**$ 56.80**	**21**	**17.8**
With Pork	6.60	193.84	180.84	7.20	5.70	34.12	12	17.6
With Franks or Other Meat	0.27	7.95	6.49	22.50	0.30	1.78	1	22.4
Barbecued	0.30	8.98	8.23	9.10	0.33	1.32	1	22.1
Vegetarian	0.47	13.91	12.41	12.09	0.46	2.78	1	20.0
Plain	3.25	95.31	86.88	9.70	2.70	16.20	6	17.0
Beans	**16.94**	**496.89**	**445.59**	**11.51**	**18.52**	**111.08**	**51**	**22.4**
Green	8.47	248.44	241.12	3.04	8.99	53.91	21	21.7
Lima	0.95	27.83	26.59	4.66	1.07	6.43	5	23.1
Wax	0.54	15.90	18.32	−13.20	0.58	3.48	3	21.9
Kidney	2.17	63.60	49.64	28.12	2.61	15.65	5	24.6
All Other Beans & Bean Combos	4.81	141.12	109.92	28.38	5.27	31.61	17	22.4
Peas	**7.12**	**208.69**	**198.56**	**5.10**	**7.10**	**42.63**	**19**	**20.4**
Regular Green	5.49	160.99	164.89	− 2.36	5.26	31.55	13	19.6
Blackeyed & Field	0.61	17.89	17.71	1.02	0.68	4.10	3	22.9
All Other Peas	1.02	29.81	15.96	86.78	1.16	6.98	3	23.4
Corn	**10.85**	**318.01**	**281.90**	**12.81**	**9.00**	**54.00**	**22**	**17.0**
Whole Kernel	7.39	216.64	186.16	16.37	5.96	35.75	12	16.5
Cream Style	2.58	75.53	72.69	3.91	2.19	13.14	6	17.4
All Other Corn	0.88	25.84	23.05	12.10	0.85	5.12	4	19.8
Tomatoes	**13.27**	**389.06**	**323.24**	**20.36**	**13.83**	**82.96**	**22**	**21.3**
Regular	6.78	198.75	161.34	23.19	7.49	44.92	11	22.6
Italian	2.02	59.13	53.75	10.01	2.01	12.06	3	20.4
All Other Tomatoes	4.47	131.18	108.15	21.29	4.33	25.97	8	19.8
Tomato Products	**15.90**	**467.07**	**374.10**	**24.85**	**13.16**	**78.87**	**26**	**16.9**
Sauce	9.05	266.33	209.21	27.30	7.03	42.08	14	15.8
Paste	4.88	143.10	117.02	22.29	4.41	26.47	8	18.5
Puree	1.97	57.64	47.87	20.41	1.72	10.32	4	17.9
Beets	**2.37**	**69.56**	**63.83**	**8.98**	**2.98**	**17.88**	**14**	**25.7**
Asparagus	**3.12**	**91.43**	**79.78**	**14.60**	**3.48**	**20.85**	**9**	**22.8**
Cabbage	**0.41**	**11.93**	**8.86**	**34.65**	**0.48**	**2.88**	**2**	**24.1**
Carrots	**0.95**	**27.83**	**26.38**	**5.50**	**1.12**	**6.71**	**6**	**24.1**
Mixed Vegetables	**1.02**	**29.81**	**26.59**	**12.11**	**1.14**	**6.86**	**5**	**23.0**
Mushrooms	**6.17**	**180.87**	**163.11**	**10.89**	**7.39**	**44.31**	**18**	**24.5**
Onions	**0.88**	**25.84**	**19.50**	**32.51**	**1.00**	**6.02**	**2**	**23.3**
Carrots & Peas	**0.61**	**17.89**	**19.58**	**− 8.62**	**0.66**	**3.94**	**3**	**22.0**
White Potatoes	**1.29**	**37.76**	**35.46**	**6.49**	**1.35**	**8.12**	**4**	**21.5**
Pumpkin	**0.95**	**27.83**	**24.82**	**12.13**	**0.82**	**4.93**	**2**	**17.7**
Sauerkraut	**1.49**	**43.73**	**40.78**	**7.23**	**1.66**	**9.97**	**6**	**22.8**
Spinach	**1.36**	**39.75**	**33.69**	**17.99**	**1.63**	**9.78**	**5**	**24.6**
Squash & Zucchini	**0.34**	**9.94**	**8.86**	**12.19**	**0.39**	**2.37**	**2**	**23.8**
Yams & Sweet Potatoes	**2.03**	**59.63**	**54.96**	**8.50**	**2.16**	**12.94**	**6**	**21.7**
All Other Canned Vegetables	**2.03**	**59.63**	**49.64**	**20.12**	**2.66**	**15.98**	**12**	**26.8**
Total	**100.00**	**$2,933.14**	**$2,574.08**	**13.95**	**100.00**	**$599.85**	**257**	**20.5**

% of total store volume . . . 1.43%

Packers concentrate on natural fruits to pick up the slack created by disenchantment with heavy syrup-laden products

Lighter lines and smaller cans shore up expectations

Buoyed in large part by packers' responsiveness to the growing popularity of lighter syrups and smaller cans, canned fruit last year staged what some observers see as a relative rebound from the sagging performance figures of recent years.

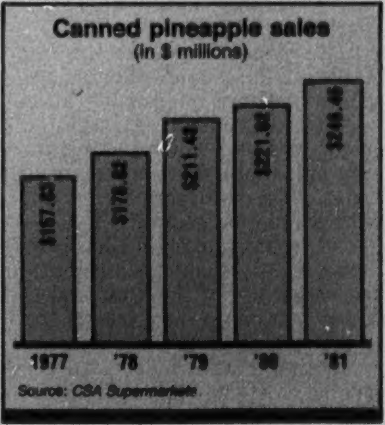
Pineapples and peaches led the way as the category posted an overall dollar-volume gain of nearly 11%, several percentage points above the rate of inflation. By contrast, canned fruit logged a moribund 2.25% sales increase between 1979 and 1980, a gain that was wiped out several times over by inflation.

That's not to say, however, that the year was free of problems. Packers cite an overanticipation of the immediate strength of the light-pack trend, a softness in the peach market and growing competition from private labels, generics and foreign exporters as some of their woes during the year. There was also the now-familiar scene of inflation-strapped shoppers trying to make a choice between canned fruit and fresh—and more than a few times opting for the latter.

Dick Lynch, director of marketing at Del Monte, says the canned-fruit sales scene has been "aggravated by the economic situation of the past few years."

"People have been trading off to other alternatives," he explains. "Canned fruit has been versatile, but other things have been taking its place."

The situation, however, can hardly be described as bleak, he's quick to add. The growing public taste for light-canned fruit will go a long way toward boosting sales, and fruits that can be packed in the smaller cans more popular with one- and two-person households have a bright future, he says.


Canned pineapple sales
(in $ millions)

Source: CSA Supermarkets

Light is bright: Indeed, the light fruit line seems the fair-headed child of the industry. Probably the most significant change in fruit canning in decades, the practice took its first few cautious steps at the end of the 1970's as packers hesitantly moved to counter the disenchantment of increasingly health-conscious consumers with the thick, sugar-laden syrup used to pack fruit. The answer—to use much lighter syrup or even natural juices—began to catch on.

It didn't catch on quickly enough for some packers, who overreacted last year and canned an oversupply of fruits packed in light syrup or natural juices, says Ann Donathan of California Canners. Citing a lack of consumer awareness, she explains that packers faced a dilemma: "It's not that easy a thing to advertise; you don't want to say heavy syrup is no good."

But Donathan and her company have more than a little confidence in the line—at the end of 1981, California Canners agreed to pay an undisclosed sum for the Libby and Libby's Lite lines of canned fruit. California Canners already pro-

Canned Fruit: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Pie Fruits & Fruit Fillings	**4.38**	**$ 55.65**	**$ 60.28**	**− 7.67**	**4.71**	**$ 12.52**	**5**	**22.5**
Applesauce	**16.73**	**212.67**	**184.39**	**15.34**	**17.33**	**46.01**	**20**	**21.6**
Plain	15.16	192.79	170.21	13.27	15.47	41.06	18	21.3
All Other Applesauce	1.57	19.88	14.18	40.20	1.86	4.95	2	24.9
Fruit Salad & Cocktail	**13.62**	**172.92**	**150.70**	**14.74**	**13.18**	**35.03**	**14**	**20.3**
Salad	2.82	35.78	24.82	44.16	2.71	7.19	3	20.1
Cocktail	10.80	137.14	125.88	8.95	10.47	27.84	11	20.3
Peaches	**18.16**	**230.56**	**212.77**	**8.36**	**18.07**	**48.01**	**22**	**20.8**
Cling Sliced	9.39	119.25	111.70	6.76	9.15	24.33	9	20.4
Cling Halves	4.38	55.65	53.19	4.62	3.94	10.46	5	18.8
Freestone/Elberta Slices	1.57	19.88	21.28	− 6.57	1.85	4.91	2	24.7
Freestone/Elberta Halves	0.94	11.93	10.64	12.12	1.12	2.97	2	24.9
All Other Peaches	1.88	23.85	15.96	49.44	2.01	5.34	4	22.4
Pineapple	**19.40**	**246.45**	**221.62**	**11.20**	**19.59**	**52.09**	**23**	**21.1**
Chunks	7.98	101.36	86.88	16.67	7.89	20.98	7	20.7
Crushed	6.10	77.51	72.69	6.63	6.33	16.82	7	21.7
Sliced	5.16	65.59	60.28	8.81	5.13	13.64	7	20.8
All Other Pineapple	0.16	1.99	1.77	12.43	0.24	0.64	2	32.3
Cherries	**1.25**	**15.90**	**17.73**	**−10.31**	**1.55**	**4.12**	**3**	**25.9**
Berries	**8.14**	**103.35**	**90.42**	**14.30**	**5.13**	**13.65**	**10**	**13.2**
Cranberries & Cranberry Products	7.04	89.44	78.01	14.65	3.70	9.84	6	11.0
All Other Berries	1.10	13.91	12.41	12.09	1.43	3.81	4	27.4
Apples	**0.47**	**5.96**	**5.32**	**12.03**	**0.54**	**1.44**	**2**	**24.1**
Apricots	**2.82**	**35.78**	**30.14**	**18.71**	**3.30**	**8.77**	**5**	**24.5**
Citrus	**4.23**	**53.66**	**42.55**	**26.11**	**4.28**	**11.38**	**4**	**21.2**
Figs	**0.31**	**3.98**	**7.09**	**−43.85**	**0.36**	**0.97**	**1**	**24.3**
Pears	**8.14**	**103.35**	**97.51**	**5.99**	**9.02**	**23.98**	**12**	**23.2**
Plums & Prunes	**1.10**	**13.91**	**10.64**	**30.73**	**1.47**	**3.91**	**3**	**28.1**
All Other Fruit	**1.25**	**15.90**	**14.18**	**12.13**	**1.47**	**3.91**	**4**	**24.6**
Total	**100.00**	**$1,270.04**	**$1,145.34**	**10.89**	**100.00**	**$265.78**	**128**	**20.9**

% of total store volume . . . 0.62%

duces Diet Delight, a leading brand of dietetic canned fruit. But industry officials are adamant that light-pack fruit be marketed separately in order to appeal to a much wider audience, and California jumped at the chance to add a nondietetic light line.

Even Libby, which is easing away from handling commodities, has faith in the future of its former line of fruits packed in natural juices. "Lite has reattracted some of the former canned-fruit users who had left when heavy syrup was all that was available," says Vivian Manuel, a spokesman for Libby, McNeill & Libby Inc.

In the subcategories of the canned-fruit market, pineapple held on securely to its No. 1 spot. Peaches remained a fairly close second, although industry officials disagree on whether demand is softening, and the U.S. Department of Agriculture warns that last winter's harsh weather could halve this year's peach crop.

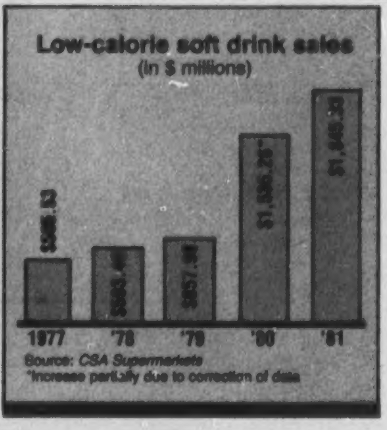
"The pineapple category is very stable, unlike some other subsegments of the canned-fruit category," says Al Limata, marketing director at Dole, which has handled only pineapples for some eight decades. "Consumption keeps pace with population growth."

The reasons, explain Limata and Dixon Kuhn, product manager, are the versatility of the fruit and the stable weather in the areas where it is grown.

Another reason for the ad campaign is a nondemand problem faced by Dole and Del Monte, which share about 60% of the pineapple market: growing competition from foreign firms. Those companies have entered the market with "a lot of low-price, low-quality, in-and-out brands," says Limata, and Dole wants to remind consumers that its brand is quality fare.

Pie filling falls: One canned-fruit subcategory in which volume slipped last year is the pie-fruit and pie-filling line. Much of that was due to a reduced pack that resulted in a fall in tonnage, says Bob Blackburn of Michigan Fruit Canners, whose Thank You brand is No. 1 nationally. But the growers expect a substantially larger crop this year, he adds, and are mounting a campaign to convince shoppers that pie fillings can be used for much more than just pie. ☐

Cola and diet drinks make biggest tonnage hikes in year marked by heavy deals and promotions by bottlers


Low-calorie soft drink sales
(in $ millions)

Source: *CSA Supermarkets*
*Increase partially due to correction of data

Supers gain most from share wars as soda sales surge

One thing about the soft drinks category: It may be mature, but it certainly remains exciting. With aggressive price discounting the main ammunition, fierce interbrand rivalries keep going strong.

The current battle for supermarket share continues to prompt soft drink bottlers into virtually nonstop deals with retailers. And after a year and a half of severe price discounting, the industry sees no end to this erosion of price integrity.

The biggest salvoes are being fired by Coca-Cola and Pepsi-Cola brands, with Pepsi trying to wrest the industry share lead from No. 1 Coke. Both gained last year, but Pepsi's larger advance narrowed Coke's total market lead—now a 24.2% to 18.3% margin. In food stores, however, the No. 2 brand gamely held onto its virtual dead heat position with Coke at roughly 22%.

Amid all this flurry of activity, sales managed to climb 12.5% to $6.48 billion, or about 3.7% of total store sales.

More importantly, tonnage fizzed upward 2.7% as per capita consumption jumped to 39.5 gallons. Citing "extraordinary" volume gains since 1970, analyst John Maxwell at Lehman Brothers Kuhn Loeb expects similar growth for the next few years as well. Nothing, apparently, is about to burst soda's bubble as America's favorite beverage.

Much of this growth is expected to come from the 10 best-selling brands, which together account for 69.3% of industry volume. Rounding out the top 10, after Coke and Pepsi, are Dr Pepper (5.4% industry market share), Seven-Up (5.0%), Tab (3.6%), Mountain Dew (2.9%), Sprite (2.9%), Diet Pepsi (2.9%), Royal Crown Cola (2.7%) and Sunkist (1.4%), as tallied by Maxwell and *Beverage Industry.*

With increasing shares of business concentrated in these brands, consolidation may become a ready tactic among soda makers. Dr Pepper, for example, which most recently acquired Canada Dry and marketing rights to Welch's flavor lines, is now made up of five formerly independent companies. Bottlers, too, may join each other during the current shakeout, says Maxwell, dropping substantially from the current 1,000 throughout the country.

Bottler co-ops would allow purchasing and production discount advantages without altering the store-door delivery system, prevalent among majors except for Shasta. "We go warehouse from our own bottlers, which lets us sell for 15%-20% below what store-door allows," says a Shasta spokesman. "Most supermarket items are warehouse-delivered; retailers handle it

Soft Drinks & Mixes: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Carbonated Soft Drinks	**88.13**	**$6,873.82**	**$5,967.68**	**15.18**	**88.71**	**$1,967.76**	**76**	**28.6**
Bottled, Regular	48.93	3,816.09	3,350.91	13.88	50.58	1,121.93	33	29.4
Canned, Regular	15.54	1,212.40	1,081.51	12.10	14.92	330.99	13	27.3
Low-Calorie	23.66	1,845.33	1,535.26*	20.20	23.21	514.85	30	27.9
Soft Drink Beverage Mixes	**8.13**	**634.03**	**565.57**	**12.10**	**7.70**	**170.91**	**48**	**27.0**
Powders, Presweetened	5.81	453.16	414.87	9.23	5.33	118.28	35	26.1
Powders, Regular	2.32	180.87	150.70	20.02	2.37	52.63	13	29.1
Ice Bars	**0.25**	**19.88**	**9.69**	**105.16**	**0.29**	**6.48**	**1**	**32.6**
Syrups	**0.09**	**7.00**	**9.60***	**– 27.07**	**0.06**	**1.27**	**1**	**18.1**
Nonalcoholic Cocktail Mixes	**1.34**	**105.00**	**95.00**	**10.53**	**1.30**	**28.68**	**12**	**27.3**
Powdered	0.42	33.00	30.00*	10.00	0.44	9.67	6	29.3
Liquid	0.92	72.00	65.00*	10.77	0.86	19.01	6	26.4
Bottled Water	**2.06**	**160.99**	**101.06**	**59.30**	**1.94**	**42.98**	**10**	**26.7**
Total	**100.00**	**$7,800.72**	**$6,542.74**	**19.23**	**100.00**	**$2,218.08**	**148**	**28.4**

% of total store volume . . . 3.79%

*Revised 1980 figures

easily and at the same time gain better control of their shelf space and orders—all without vendors floating around their stores."

That may be valid, but most other soda makers contend that store-door enhances return on investment by doing away with retailers' warehousing, shipping, handling and inventory costs. They also point to strong advertising and promotional support that builds demand for their brands.

However, the soft economy had shoppers trading down from costlier brands in '81. Private labels did particularly well, notably Kroger's Big K, whose tonnage rose 11.4%, Safeway's Cragmont brand, up 5.5%, Winn-Dixie's Chek, up 4.8%, and A&P's Yukon, up 6.9%.

Shoppers watching their pocketbooks aren't drinking less but are looking for buys among their "acceptable group of brands," says one soda official. There's more switching by diet soda drinkers because "most diets are pretty boring, and soda's an easy way to experience a variety of flavors," he says.

Colas retained their sales clout in '81, propelling 3% ahead to lock up a 62.6% share of the total market. Yet flavor trends emerging over the past few years show orange growing fast, virtually due to the single-handed efforts of Sunkist, which burst into the top 10 for the first time. Now at a 7.4% market share, orange-flavored sodas superceded steady-selling root beers' 5.5%.

Citrus flavors like Mountain Dew and Mello Yello are up to 3.9% and growing modestly.

Pepper-flavored sodas, led by Dr Pepper, Nehi and Mr. Pibb, now account for 8% of the sodas Americans gulp each year. That's up from 3.9% a decade ago, but its heyday may be dimming; most of its growth occurred before 1979.

Mostly because of Seven-Up's 5% tonnage drop last year, lemon-lime soda sales slipped a bit to 11.6%. To reverse its recent fortunes, Seven-Up Company's forceful caffeine-free campaign is intended to create a new market niche for itself. However, other soda makers are already in the no-caffeine corner, and although Seven-Up is the most vocal on the issue, its brands will not necessarily dominate this segment.

Tests by *Consumer Reports* show that in addition to Seven-Up, brands having no caffeine include Sprite, RC-100, Patio Orange, Fanta Orange, Fresca, Hires Root Beer and reformulated Sunkist. Their combined market shares approximate Seven-Up's, and while other manufacturers outwardly greet the Seven-Up campaign with a big yawn, they probably have additional caffeine-free formulations ready in case the market demands it.

First results may already be in: Royal Crown says RC-100 sales climbed since the Seven-Up campaign hit this spring. Coincidental or not, Seven-Up Co. plans to counter in the cola segment before long with its new caffeine-free Like, currently in eight test markets.

Diet drinks: Whether or not consumers see caffeine content as a viable health issue, their concerns about fitness helped to spur diet drinks' 10.9% tonnage hike last year. This surging segment now snares 14% of all soft drink sales and may well become the prime growth field of the 80's, says Maxwell. The aging populace and an increasing female draw toward soft drinks are expected to further expand diet share. Currently, Tab and Diet Pepsi are providing the dietary one-two punch.

Diet soda makers, meanwhile, are looking northward to Canada to gauge the new sweetener aspartame's consumer acceptance. Not yet approved for across-the-board use in the United States, aspartame is said to taste better than saccharin, and has soda execs optimistic about its effects on diet's growth curve when it can be marketed here. ☐

CANNED AND DRY SOUP

What's light in calories, low in sodium and fancy to boot? Meet the latest versions of some old favorites

New soup message: anything but canned

After a lackluster performance for two straight years, the canned and dry soup category logged a hearty gain in 1981, with much of the action generated by single-strength soups.

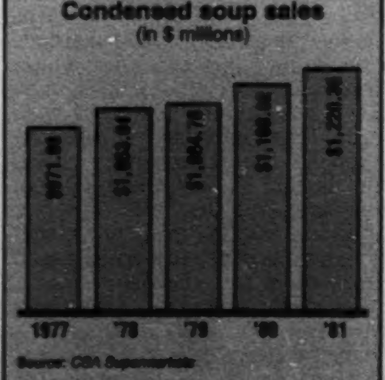
Retailers credit the more than 11% sales increase, in part, to a beefed up promotional drive by suppliers who apparently feel that Campbell's has dominated the category long enough. Indeed, with the name Campbell's synonymous with soup, it's going to take a lot of promotional dollars to even budge this giant from its perch.

In the meanwhile, retailers are reaping the benefits of a "come-alive" category to the tune of close to $1.9 billion a year, paced by a 23% hike in single-strength soup sales. And given the way 1982 is shaping up, last year's results may pale in comparison.

At the forefront of all the renewed activity is Campbell's itself. This March, after successful testing in the Southwest, the canner rolled out its new Crispy Light product nationally. The buy-appeal: lighter soups for lighter calories.

The Light comes in two varieties: Tomato Garden, with 80 calories per 8-oz. serving and Spanish Vegetable, with 50 calories. Both can also be served cold.

On the heels of Crispy Light is Crispy Supreme, a full-strength soup in 10¾-oz. cans, which is currently being test-marketed in 10 Indianapolis stores. There are six varieties, priced $1.06 to $1.69: lobster, clear oxtail, Serbian bean, chicken with wild rice, French Onion and Goulash Vienna.



Source: CSA Supermarkets

Why this foray into fancy? "Consumer tastes are more sophisticated today," says a Campbell's spokesman, "and fancy soups are immune to recession."

In another attempt by the No. 1 soup-maker to link up product with changing consumption patterns, Campbell's has also launched a line of low-sodium soups.

Low-sodium comes in seven varieties: corn, chunky beef with mushroom, tomato with tomato pieces, chunky vegetable beef, chunky chicken vegetable, split pea and chicken with noodles.

The tag line on low-sodium: 100 milligrams of sodium per 8-oz. serving, or one-half the sodium content of regular soup.

For years Campbell's priority has been to protect its franchise—but in so doing, the company found itself saddled with the image of a colossus embedded in concrete.

Now Campbell's is trying to widen its market base. The manufacturer is putting its ad dollars where its can opener is: a record $18 million soup budget, or 40% more than last year.

The changing of the ultraconservative think tank hasn't come too soon, for competition is trying to fragment Campbell's staple lines.

Canned & Dry Soup: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dry Soup Mixes	**12.47**	**$ 234.11**	**$ 217.56**	**7.61**	**14.77**	**$ 56.43**	**25**	**24.1**
Noodle	4.71	88.49	83.19	6.37	6.02	23.01	11	26.0
Onion	3.87	72.59	65.36	11.06	4.10	15.68	4	21.6
All Other	3.89	73.03	69.01	5.83	4.65	17.75	10	24.3
Bouillon Cubes	**1.80**	**33.79**	**31.91**	**5.89**	**2.45**	**9.36**	**8**	**27.7**
Individual Dry Soup Mixes	**6.14**	**115.28**	**106.38**	**8.37**	**7.51**	**28.71**	**18**	**24.9**
Single-Strength Soups	**14.57**	**273.39**	**221.62**	**23.36**	**14.03**	**53.58**	**26**	**19.6**
Condensed Soups	**65.02**	**1,220.36**	**1,110.02**	**9.94**	**61.24**	**233.91**	**60**	**19.2**
Broths	4.77	89.44	57.32	56.04	5.08	19.41	4	21.7
Consomme & Bouillon	1.27	23.85	21.41	11.40	1.38	5.27	2	22.1
Cream of Chicken	3.49	65.59	61.01	7.51	3.35	12.79	2	19.5
Chicken Gumbo	0.95	17.89	24.64	−27.38	0.96	3.67	1	20.5
Chicken Noodle	8.26	155.03	124.42	24.60	7.18	27.44	5	17.7
Chicken Vegetable	1.27	23.85	21.18	12.61	1.32	5.06	2	21.2
Chicken w/Rice, Stars, etc.	3.92	73.54	124.32	−40.84	3.62	13.83	4	18.8
Tomato, Cream of Tomato, Tomato Bisque	5.08	95.40	129.15	−26.12	2.65	10.11	3	10.6
Tomato Rice	0.85	15.90	17.09	− 6.95	0.89	3.40	1	21.4
Vegetable	3.49	65.59	69.01	− 4.95	3.47	13.25	4	20.2
Vegetable Beef	2.86	53.66	61.91	−13.32	2.57	9.82	2	18.3
Vegetarian Vegetable	1.48	27.83	25.96	7.20	1.37	5.23	1	18.8
Minestrone	0.95	17.89	18.64	− 4.01	1.07	4.10	1	22.9
Bean—All Types	1.27	23.85	24.18	− 1.35	1.39	5.30	1	22.2
Beef	1.59	29.81	24.42	22.07	1.74	6.65	1	22.3
Beef Noodle	0.95	17.89	18.86	− 5.13	0.98	3.76	1	21.0
Clam Chowder	3.18	59.63	49.01	21.67	3.53	13.48	4	22.6
Mushroom—All Types	9.11	170.93	112.83	51.49	7.70	29.40	4	17.2
Pea	1.59	29.81	29.50	1.05	1.62	6.17	2	20.7
Turkey—All Types	0.85	15.90	18.92	−15.95	0.86	3.29	1	20.7
All Other Condensed Soups	7.84	147.08	76.24	92.92	8.51	32.51	14	22.1
Total	**100.00**	**$1,876.93**	**$1,687.49**	**11.23**	**100.00**	**$382.00**	**137**	**20.4**

% of total store volume . . . 0.91%

For starters, there's Swift's Soup Starter, aimed directly at Chunky and its one-dish-meal appeal. "The advantage of our product," says a Swift marketer, "is that it is made with fresh meat and doesn't have a canned meat taste."

To overcome soup's seasonal cycle, Swift is now in national distribution on two new products: Stew Starter and Chicken Stew. Both are in 7.4-oz. containers and make two quarts of stew.

Swift is positioning chicken stew as a budget-priced dinner. "Where else can you feed a family of five for $1.79 plus the cost of 2-lb. of chicken?" says a Swift marketing manager.

Swift is also perfecting a low-sodium formulation for Soup Starter, but even without it, the company feels it has a leg up on competition. "With our kind of add-to product, consumers can add any spices they want—and hold off on salt, if they wish."

The trend to heartier soups has not been lost on Lipton, which operates on dry-side economics. Lipton came out with Cup-a-Soup Country Style more than a year ago. Then, after a year of testing, it rolled out even heartier Lots-a-Noodles last fall in four flavors: chicken, beef, vegetable and Oriental.

Lipton is going the hearty-heartier route because it learned a valuable lesson with the rise and fall of General Mills' Mug-O-Lunch and its own Lite Lunch. "We oversold the 'lunch' concept," says a Lipton marketing exec. "We didn't realize that people want a richer soup as part of a light lunch. That's why we came out with Cup-a-Soup Country Style and Lots-a-Noodles."

Campbell's, meanwhile, is quietly strengthening its market position on several existing products.

Soup for One, aimed at hearty eaters, got off to a rocky start with its line of semicondensed soups. The problem: "semicondensed" was confusing. Some householders used it full strength (too thick), while others added a full can of water or milk (too thin). Experience and education have turned the tide.

Another comer is canned broth, keyed to busy people cooking at home. The wide variety of uses (gravies, sauces, rice flavoring, stuffing, homemade soup) is fueling this $60 million market, which Swanson dominates. ☐

Yen for highly flavored foods has boosted sales more than 20%; salt substitutes are beginning to take center stage

Quest for zest spices hot year

Americans have turned the old saying around and decided that spices add variety to life. Thanks to that point of view, sales of spices and extracts continued their dramatic upswing of the past few years, rising more than 20% in 1981 to hit $950 million.

Sales of nearly every spice, herb and extract climbed at least 10%. Leaf spices and herbs, among the most versatile of seasonings, stood out even in this stellar crowd, racking up impressive overall gains of 45.11%.

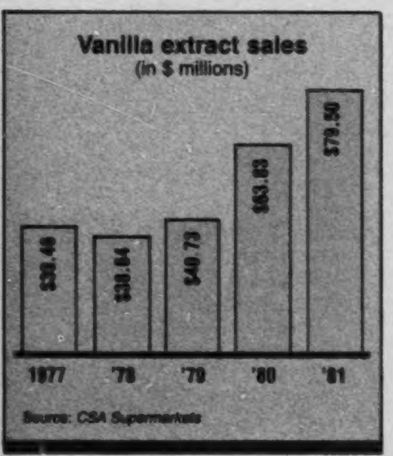
Also showing dramatic gains were all forms of garlic, including flakes, powder and salt, as gourmet interest in the pungent plant filtered down to the everyday level.

It's this acceptance of spices by the average consumer that's behind much of the sales surge, according to Tom Burns of the American Spice Trade Association. "The housewife—and the average American—are much more cosmopolitan in taste than ever before," he says. "Working women are accustomed to eating in better restaurants which serve well-seasoned food. Demand outside the home affects demand inside."

As a result, Burns points out, the perception of spices is changing. Consumers now understand that a well-spiced food is *flavored*, but not necessarily *hot*.

Joe Conoscenti, product manager, spices, for McCormick, an industry leader along with Durkee, sees the increased interest in cooking as helping sales. "It's gourmet cooking and cooking in general," he says, adding that "The core lines are very healthy."

McCormick is supporting the upward trend with more consumer-oriented promotions. For example, the firm is couponing on black pepper for the first time, in an effort to combat the rising influence of generics. Recipes, however, remain the backbone of the program.



Source: CSA Supermarkets

"Each spice sale generates purchases of additional items in the store," says Conoscenti. "There's the potential for $16 in sales on certain recipes."

Taking it a step further, Burns encourages in-store promos around a freshness theme. "Spices go so far and do so much," he says, "that not to have fresh ones is a crime. Signs asking shoppers how old the spices in their cupboards are could hike sales, and with margins ranging from 35% to 37%, it's well worth the effort."

Extracts are also recording sales gains. One reason is the now-calm vanilla market. "The price on vanilla stabilized, and imitation and pure started to catch up in price, says Conoscenti. "The decision to buy pure is now easier for the consumer."

But sales are also building on other, more exotic types of extracts. "Extracts sales are doing very well on the West Coast," Conoscenti says. "Sales are up as high as 79%." He speculates that the rise may be connected with the popularity of the Cambridge Diet, which features recipes that call for many different types of extracts.

Salt bounced back a bit in 1981, despite the increasing general concern about its possible effects on the body. Tonnage actually slipped, say observers, although dollar volume was up. Salt for canning is said to be doing well, as more Americans turn to home canning for health and economic reasons. But salt substitutes and "light" salt are the real scene-stealers.

Regular salt sales may erode as alternatives see rises in 1982 because of increasing negative publicity for salt. Critical stories on salt, such as the recent *Time* magazine cover story, do little to help the product's image, and may well sway the public even further away. ☐

Spices & Extracts: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Extracts & Food Coloring	**11.93**	**$113.29**	**$ 88.66**	**27.78**	**11.16**	**$ 35.05**	**26**	**30.9**
Lemon Extract	0.42	3.98	3.55	12.11	0.49	1.53	1	38.5
Vanilla Extract	8.37	79.50	63.83	24.55	7.19	22.58	7	28.4
All Other Extracts [Incl. Grenadine & Bitters]	2.30	21.86	15.96	36.97	2.55	8.00	15	36.6
Food Coloring	0.84	7.95	5.32	49.44	0.93	2.93	3	36.9
Pepper	**10.63**	**101.37**	**92.20**	**9.95**	**10.49**	**32.98**	**17**	**32.5**
Black	9.16	87.45	81.56	7.22	8.78	27.63	13	31.6
White	0.42	3.98	3.55	12.11	0.50	1.56	1	39.2
Red/Cayenne	1.05	9.94	7.09	40.20	1.21	3.79	3	38.1
Whole & Ground Spices	**14.86**	**141.12**	**118.79**	**18.80**	**17.05**	**53.52**	**34**	**37.9**
Cloves	1.67	15.90	14.18	12.13	1.92	6.04	2	38.0
Cinnamon	3.77	35.78	30.14	18.71	4.41	13.85	4	38.7
Nutmeg	1.26	11.93	10.64	12.12	1.42	4.45	1	37.3
Paprika	2.30	21.86	17.73	23.29	2.58	8.09	3	37.0
All Other Whole & Ground Spices & Seeds	5.86	55.65	46.10	20.72	6.72	21.09	24	37.9
Leaf Spices & Herbs	**9.21**	**87.46**	**60.27**	**45.11**	**10.76**	**33.82**	**22**	**38.7**
Basil	1.26	11.93	8.86	34.65	1.49	4.69	2	39.3
Oregano	1.88	17.89	14.18	26.16	2.14	6.73	4	37.6
Thyme	0.63	5.96	5.32	12.03	0.78	2.46	2	41.2
All Other Leaf Spices & Herbs	5.44	51.68	31.91	61.96	6.35	19.95	14	38.6
Vegetable Seasonings	**17.16**	**162.98**	**132.97**	**22.57**	**18.77**	**58.97**	**31**	**36.2**
Bell Pepper Flakes	0.21	1.99	1.77	12.43	0.22	0.69	1	34.6
Parsley Flakes	2.09	19.88	17.73	12.13	2.27	7.14	4	35.9
Chopped Chives	0.63	5.96	3.55	67.89	0.72	2.27	1	38.0
Celery Flakes & Seeds, etc.	0.84	7.95	7.09	12.13	1.04	3.27	3	41.1
Onion Flakes & Juice, etc.	4.60	43.73	37.23	17.46	5.04	15.83	11	36.2
Garlic Flakes & Powder, etc.	8.16	77.51	60.28	28.58	8.76	27.52	8	35.5
All Other Vegetable Seasoning	0.63	5.96	5.32	12.03	0.72	2.27	3	38.0
Table Salt	**5.86**	**55.65**	**49.70**	**11.97**	**3.63**	**11.40**	**7**	**20.5**
Regular	2.72	25.84	22.38	15.46	1.69	5.32	4	20.6
Iodized	3.14	29.81	27.32	9.11	1.94	6.08	3	20.4
All Other Salt	**1.05**	**9.94**	**7.09**	**40.20**	**0.84**	**2.62**	**3**	**26.4**
Other Seasoning & Flavoring	**29.30**	**278.38**	**239.36**	**16.30**	**27.30**	**85.72**	**60**	**30.8**
Chili Powder	2.09	19.88	17.73	12.13	2.17	6.82	4	34.3
Garlic Salt	3.97	37.76	33.69	12.08	3.97	12.46	6	33.0
Monosodium Glutamate [MSG]	2.52	23.96	19.50	22.87	2.07	6.49	3	27.1
Seasoned Pepper	1.26	11.93	10.64	12.12	1.19	3.72	3	31.2
Meat Tenderizers	1.88	17.89	14.18	26.16	1.58	4.97	3	27.8
Charcoal Flavoring, Artificial Smoke	0.63	5.96	5.32	12.03	0.53	1.67	1	28.0
Seasoned Salt	6.28	59.63	51.42	15.97	5.75	18.07	9	30.3
Special-Purpose Seasonings & Seasoning Mixes	2.72	25.84	21.28	21.43	2.81	8.81	11	34.1
Cinnamon-N-Sugar	0.21	1.99	1.77	12.43	0.23	0.71	1	35.8
Horseradish [Shelf Stable]	0.63	5.96	5.32	12.03	0.57	1.79	1	30.0
All Other Seasoning & Flavoring	7.11	67.58	58.51	15.50	6.43	20.21	18	29.9
Total	**100.00**	**$950.19**	**$789.04**	**20.42**	**100.00**	**$314.08**	**200**	**33.1**

% of total store volume . . . 0.47%

With the exception of Mexican entrees and frozen meat, it was a relatively uneventful year in the freezer case

Farm
Dairy
LeanCuisine
Slimdown for summer

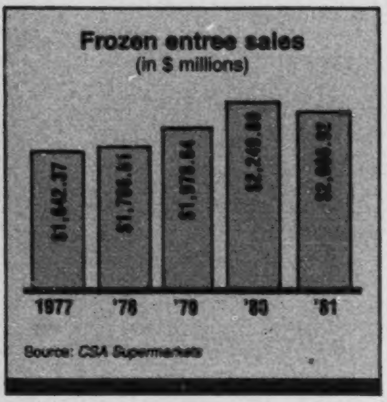
Expansions and glamour lines keep sales from freezing up

On the whole, frozen foods turned in a fairly flat 1981, with sales barely keeping pace with inflation. Leading manufacturers, however, feel certain '82 will bring more encouraging results.

The top five frozen foods by annual dollar volume in 1981, as reported by SAMI (Selling Areas Marketing Inc.), were orange juice, single dishes, pizza, fish and potatoes. Dessert pies ranked ninth, pot pies 10th and Mexican food 13th. Apple juice came in 18th and Chinese food 27th. Corn and broccoli were the favorite vegetables, ranking 11th and 15th. Squash was the least favorite, ranking 56th on a scale of 58.

Entrees: The big trend in frozen foods continues to be the expansion of frozen entree lines, with several major food companies now involved in the category.

There's no question that Stouffer put the frozen entree on the map with its line of 78 products (including soups and side dishes). The frozen food innovator has now gone a step further with a line of 10 products geared to the calorie-conscious consumer, Stouffer's Lean Cuisine. Backed by a massive advertising campaign, it has achieved national recognition and expansion is already in the works, according to a Stouffer spokesman.



Source: CSA Supermarkets

Long-time frozen vegetable leader Green Giant is expanding its line of frozen entrees, and, not to be outdone in the Italian sector, pastamaker Buitoni has come out with a line of 12 frozen Italian entrees.

Armour's food division recently brought entrees one step further when it launched its new Dinner Classics line, marking the company's maiden voyage into the frozen foods category. Test-marketed in Miami and Seattle, the line has been rolled out to Portland, Chicago, Albany, Milwaukee, Minneapolis, Philadelphia, Phoenix, Tucson, San Francisco, Los Angeles and San Diego. Twelve full-meal combinations, such as Beef Burgundy, Seafood Newburg, Sirloin Tips, Teriyaki Steak, Lasagna, Chicken Fricassee, Veal Parmigiana and Salisbury Steak, are available. Each dish comes with a vegetable and starch and is geared to retail from $2.19 to $2.99.

An Armour spokesman says the line, which was developed by European chefs in conjunction with home economists and a consumer panel, stresses quality and is a step above conventional frozen dinners. National distribution and line expansion are slated.

Perhaps in response to Armour's move, food giant Campbell Soup Co. has launched a new line of frozen dinners.

First introduced last month, eight Le Menu premium dinners went into distribution in several

Frozen Foods: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Prepared Frozen Foods	**15.61**	**$ 1,969.66**	**$ 1,849.21**	**6.51**	**15.94**	**$ 572.30**	**201**	**29.1**
Dinners/Lunches/Breakfasts	4.99	630.05	585.08	7.69	4.84	173.89	59	27.6
Pizza	4.96	626.08	583.31	7.33	5.28	189.70	49	30.3
Meat Pies	1.42	178.88	177.30	0.89	1.41	50.44	13	28.2
Other Prepared Frozen Foods	4.24	534.65	503.52	6.18	4.41	158.26	80	29.6
Entrees	**16.55**	**2,086.92**	**2,249.89**	**– 7.23**	**17.10**	**614.10**	**176**	**29.4**
Breakfast Entrees	4.16	524.71	586.85	– 10.58	4.22	151.64	22	28.9
Prepared Fish Entrees	5.12	645.95	686.14	– 5.85	5.51	197.66	74	30.6
Prepared Meat Entrees	4.32	544.59	604.58	– 9.91	4.38	157.39	47	28.9
Prepared Poultry Entrees	2.95	371.67	372.32	– 0.16	2.99	107.41	33	28.9
Meat Unprepared	**6.54**	**825.32**	**273.04**	**202.27**	**7.75**	**278.13**	**10**	**33.7**
Poultry Unprepared	**13.57**	**1,713.27**	**870.53**	**96.81**	**11.08**	**397.48**	**59**	**23.2**
Seafood Unprepared	**2.04**	**256.40**	**224.63**	**14.14**	**2.55**	**91.65**	**34**	**35.7**
Fish	0.98	123.23	107.61	14.52	1.37	49.17	19	39.9
Shellfish	1.06	133.17	117.02	13.80	1.18	42.48	15	31.9
Soups	**0.19**	**23.85**	**18.76**	**27.13**	**0.20**	**7.35**	**4**	**30.8**
Potato & Onion Products	**3.63**	**457.14**	**452.11**	**1.11**	**3.66**	**131.58**	**39**	**28.8**
French Fried Potatoes	2.27	286.21	278.36	2.82	2.22	79.85	19	27.9
All Other Potatoes	1.06	133.17	125.88	5.79	1.11	39.95	15	30.0
Onions	0.30	37.76	47.87	– 21.11	0.33	11.78	5	31.2
Vegetables	**12.37**	**1,560.22**	**1,732.19**	**– 9.92**	**12.62**	**453.07**	**152**	**29.0**
Special	4.29	540.61	560.26	– 3.50	4.41	158.40	68	29.3
Regular	8.08	1,019.61	1,171.93	– 12.99	8.21	294.67	84	28.9
Fruits & Berries	**2.82**	**355.77**	**418.42**	**– 14.96**	**2.71**	**97.13**	**12**	**27.3**
Juices & Drinks	**14.59**	**1,840.19**	**1,675.46**	**9.83**	**13.20**	**473.89**	**34**	**25.8**
Orange	9.78	1,234.27	1,122.29	9.98	8.32	298.69	11	24.2
Grape	1.03	129.98	124.11	4.73	1.05	37.82	4	29.1
Lemon/Lime/Orangeades	1.31	164.97	168.43	– 2.04	1.34	48.01	7	29.1
All Other Juices, and Drinks	1.71	215.57	260.63	– 17.28	1.73	62.08	12	28.8
Apple Juice	0.76	95.40	0.00	0.00	0.76	27.28	0	28.6
Bakery Products	**9.16**	**1,157.18**	**1,224.24**	**– 5.47**	**10.21**	**366.63**	**182**	**31.7**
Bread & Bread Products	1.92	242.48	253.53	– 4.35	1.97	70.56	29	29.1
Pies—All Types	2.22	280.45	299.98	– 6.50	2.56	91.99	39	32.8
Cakes	2.44	308.29	411.33	– 25.04	2.60	93.41	50	30.3
Donuts & Rolls	1.29	162.98	117.56	38.64	1.59	57.04	29	35.0
All Other Bakery Items	1.29	162.98	141.84	14.90	1.49	53.62	35	32.9
Whipped Toppings	**1.50**	**188.82**	**170.21**	**10.93**	**1.38**	**49.47**	**5**	**26.2**
All Other Frozen Foods	**1.43**	**180.87**	**333.32**	**– 45.73**	**1.60**	**57.52**	**29**	**31.8**
Total	**100.00**	**$12,615.61**	**$11,492.01**	**9.78**	**100.00**	**$3,590.29**	**937**	**28.5**

% of total store volume . . . 6.13%

sales districts within the western and southwestern regions; national rollout is the aim.

Each Le Menu dish comes with vegetable and starch and the featured entrees are Chicken a la King, Breast of Chicken Parmigiana, Sweet & Sour Chicken, Sliced Turkey Breast, Pepper Steak, Chopped Sirloin Beef, Beef Sirloin Tips and Yankee Pot Roast. The vessel is designed for both conventional oven and microwave use.

The Le Menu line respresents a break from the traditional Swanson image and is an effort by Campbell's to appeal to the more upscale end of the market. The Le Menu name is primary on the package, with the Swanson name a secondary support.

The company to watch in the entree category is Pepperidge Farm. A major force in the frozen dessert category, this quality-oriented company entered the entree market this year with Deli's, a line of six filled pastry entrees.

Two years in development, Deli's are self-contained sandwiches that combine flaky pastry and selected fillings—eggs, Canadian bacon and cheese, chicken salad, turkey ham and cheese, sliced beef and reuben. Deli's are geared to retail from $2.09 to $2.39, and each package contains two servings.

"We felt there was a real need in the marketplace for this type of product," explains Pepperidge Farm corporate relations vice president Jack Tierney. "Apparently we were right, because sales have been just incredible."

The company is backing the products with an extensive national ad campaign combining print and TV, and Tierney says further expansion in the entree category is inevitable.

While Pepperidge Farm continues to enjoy sales increases from its line of 48 frozen dessert products, the frozen dessert category, as a whole, is turning in a sluggish performance, declining 5% in retail volume in '81. The only real bright spot in the category appears to be breakfast-type foods such as doughnuts and muffins, which posted a 38% gain last year.

"It's hard to say what's caused the recent category decline" says Tierney. "It could be inflation or a trend to fresh-baked goods, but one thing is certain. Quality and value continue to be the key incentives to frozen dessert sales."

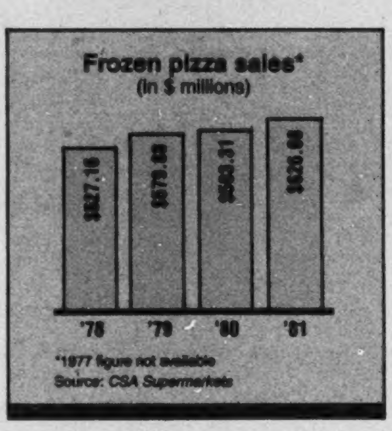
Meat: A very bright spot in the frozen foods category is frozen meat. Last year, unprepared meat jumped 202% and unprepared poultry 97%, gains precipitated both by growing consumer interest and by an increasing number of competitors in the category. Even regional packers are now going national with frozen meat lines. According to SAMI, frozen meat was the single biggest growth line in grocers' frozen food cases last year.

Beef patties is still the lead product in the category, capturing almost half of total sales. Chicken patty sales are nothing to sniff at, though. Holly Farms, a leading poultry supplier, estimates the retail frozen chicken patty market is $40 million.

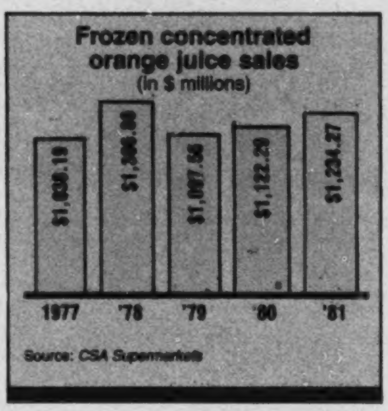
H. J. Heinz and Blue Diamond continue to slug it out for dominance in the sandwich steak segment, Blue Diamond with Beef Sandwich Steaks and Heinz with Steak-umms.

Leading meat suppliers like Steak Tonight, Burgermaker and Glenmark Meat Processors say they're in no way competing against fresh meats. For one thing, frozen meat prices are substantially higher. The convenience, controlled portion and quick-cooking factors are the main appeals.

Leading suppliers are beefing up promotional efforts this year with increased use of TV to tout frozen meat products, particularly during barbecue season, and suppliers say the market is in no way limited to beef and chicken. Retailers can expect further new product introductions in this category in the coming year.



*1977 figure not available
Source: CSA Supermarkets



Source: CSA Supermarkets

Fish: Frozen fish products posted more stable gains in '81, up 14%. The frozen prepared fish category may see some growth next year as a direct result of the recent acquisition of Mrs. Paul's Kitchens by the Campbell Soup Co.

Campbell president R. Gordon McGovern says the purchase enables the company to make a major entry into the growing market for lighter, lower-calorie foods.

At purchase time, the Mrs. Paul's line consisted of 65 frozen prepared seafood and vegetable products. Campbell's is already planning new products for the near future.

Ethnic foods continue to make significant sales gains in the frozen foods category, with Mexican dishes setting the sales pace.

SAMI reports that in 1981 frozen Mexican food was a $180 million retail market, up 24% over 1980. A recent MRCA (Market Research Corporation of America) national household menu survey revealed that of the top three foreign main dishes consumed in the home, Mexican led over Italian and Oriental. According to SAMI, there are currently 20 different brands in the frozen Mexican food category.

Chicago-based Soul Chef has launched a product line aimed at the consumer who has a hankering for down-home southern cooking. Two years in development, the line of four menus is being tested in preparation for national rollout. The menus include such southern delicacies as ham hocks, black-eyed peas, greens, cornbread, chicken and chitterlings.

Of course, frozen pizza continues to be a staple in grocers' freezer cases. According to SAMI, sales have been growing at a 15%-a-year rate since 1976, with an average household frozen pizza purchase in 1981 of $10.19. Cheese is still the favored topping, capturing 26% of total sales, and single-portion pizzas are gaining a larger following; Jeno's recently introduced a new Pizza Six-Pack.

Industry observers look for actual growth in the frozen foods category to be about 2% this year in terms of case movement. Some pockets of the country are faring better than others. In the Southwest, for example, where the economic picture is somewhat brighter and microwave ovens use broader-based, sales are popping.

Boding well for sales in the years ahead is the fact that single-person households now represent 22% of the total, according to the U.S. Census Bureau. Two-person households represent 31%. With 52% of women now working outside the home, the trend toward smaller servings and entree-type dishes is obvious, with convenience and quality the two most important factors in the purchase decision. Smaller-size desserts, like Morton's Great Little Desserts and Sara Lee for Two, should fare well, too.

Pepperidge Farm's Tierney sums it up: "Frozen food manufacturers must continue to come up with new, innovative ideas. This is a rapidly changing business. You have to stay on top of what consumers want." He points out that increased microwave oven use (40% of all United States households are projected to have microwave ovens by 1985) presents a golden opportunity for frozen food makers and retailers alike. ☐

Not everything with sugar is falling by the wayside; healthy sales hike of most items is proof of the pudding

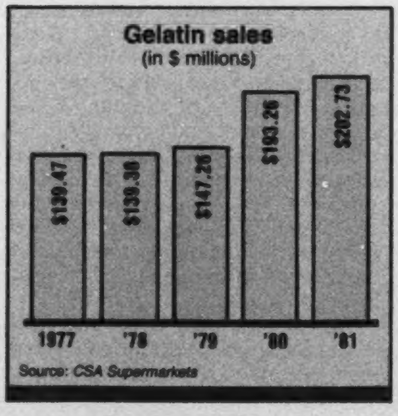
Suppliers persuade America to indulge its sweet tooth

The power of advertising proved itself once again as an effective sales tool in the dessert aisle. Pudding and pie fillings, where ad efforts centered around extended usage, notched gains of close to 30% last year, and gelatin managed to record a slight rise—no small accomplishment in this increasingly "no-sugar" market.

Pudding and pie fillings benefited from General Foods' intensive promotions, including a variety of recipe ads in women's magazines that feature the dry mixes as a prominent ingredient. Instant, as usual in recent years, did better than the type that requires cooking, supporting the consensus that people have less time to spend in the kitchen.

Gelatin didn't fare as well as its sister dessert staple, but any increase was respectable in view of the product's sugar content and today's antisugar perceptions. Much of the credit goes to Jell-O's catchy TV ads that encourage consumers to "make some fun."

In print ads, the extended usage approach has scored here, too, as Jell-O has been hyped as the ideal way to jazz up otherwise ordinary recipes.



Gelatin sales
(in $ millions)

Source: CSA Supermarkets

There's one more big plus for the category: the economy. Per-serving price of both pudding and pie fillings and gelatin is still relatively low.

This simple fact, combined with classy ads that reassure shoppers that these desserts are "special," helps bolster a category that might otherwise appear to be fighting current antisweets trends.

Prepared toppings continued their upward swing in 1981, racking up a healthy 37.96% sales increase over '80, itself a record year.

With such gains, it's not surprising that there's been a lot of activity in the field. In the forefront is Smuckers' acquisition of Magic Shell from Foremost-McKesson this spring. Magic Shell scored a first in the industry, introducing the concept of a liquid topping that hardens to a candy-like shell within seconds of contacting cold ice cream.

The unique product has been credited by industry observers with expanding the entire toppings category by drawing consumers' attention to the aisle. Moreover, Magic Shell was supported by intensive advertising, which is somewhat unusual for the category.

Chuck Lane, marketing manager/grocery market for Smuckers, explains why the company made the move: "As the leader in the topping category, Magic Shell is a natural fit for us."

Indeed, before scooping up Magic Shell, Smuckers had two flavors of a similar product in test markets. But Magic Shell, with its head start and advertising backup, would have been hard to catch.

The five Magic Shell flavors will join Smuckers' best-selling "spoonable" toppings, which number about 11 and account for some 35% of the market. While Lane reports no new items currently in test, he admits that the company is "looking at new products and acquisitions."

Meanwhile, the No. 2 toppings power, Kraft, is sitting tight with its eight flavors; Chocolate Fudge still holds the premier spot and is expected to continue to do so for the

Desserts & Toppings: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Gelatin	**30.32**	**$202.73**	**$193.26**	**4.90**	**27.72**	**$ 39.73**	**37**	**19.6**
Flavored	27.05	180.87	177.30	2.01	24.48	35.09	34	19.4
Unflavored	2.38	15.90	12.41	28.12	2.21	3.16	2	19.9
Drinks	0.89	5.96	3.55	67.89	1.03	1.48	1	24.8
Pudding & Pie Filling Mixes	**33.61**	**224.59**	**173.75**	**29.26**	**32.33**	**46.30**	**36**	**20.6**
Pudding & Pie Filling	13.09	87.45	76.24	14.70	12.58	18.01	19	20.6
Instant Pudding	13.09	87.45	67.37	29.81	11.48	16.44	12	18.8
Pie Filling	4.16	27.83	10.64	161.56	4.86	6.96	3	25.0
Refrigerated Pie Mixes	2.08	13.91	12.41	12.09	2.09	2.99	1	21.5
Egg Custard	1.19	7.95	7.09	12.13	1.32	1.89	1	23.8
Whipped Desserts	**0.66**	**4.41**	**1.77**	**149.15**	**0.93**	**1.33**	**2**	**30.2**
Topping Mixes	**3.27**	**21.86**	**17.73**	**23.29**	**3.60**	**5.16**	**2**	**23.6**
Prepared Toppings [Not Frosting]	**14.28**	**95.40**	**69.15**	**37.96**	**15.96**	**22.86**	**15**	**24.0**
Chocolate	9.52	63.60	51.42	23.69	10.30	14.75	5	23.2
All Other	4.76	31.80	17.73	79.36	5.66	8.11	10	25.5
Canned Puddings	**1.79**	**11.93**	**12.41**	**– 3.86**	**1.96**	**2.80**	**5**	**23.5**
Individual Servings Canned Pudding & Fruit	**7.44**	**49.69**	**42.55**	**16.78**	**7.94**	**11.38**	**8**	**22.9**
Rennet	**0.89**	**5.96**	**2.49**	**139.36**	**1.03**	**1.48**	**2**	**24.8**
Maraschino Cherries	**3.87**	**25.84**	**24.82**	**4.11**	**4.56**	**6.54**	**4**	**25.3**
Mince Meat	**1.49**	**9.94**	**8.86**	**12.19**	**1.33**	**1.90**	**3**	**19.1**
Tapioca [Dry]	**1.49**	**9.94**	**8.86**	**12.19**	**1.57**	**2.25**	**1**	**22.6**
All Other Desserts & Dessert Mixes	**0.89**	**5.96**	**7.09**	**– 15.93**	**1.07**	**1.53**	**2**	**25.6**
Total	**100.00**	**$668.25**	**$562.74**	**18.75**	**100.00**	**$143.25**	**117**	**21.4**

% of total store volume . . . 0.33%

foreseeable future.

Chocolate syrup, which serves double-duty as a topping and a milk modifier, is seeing a potentially tough competitor enter the field now dominated by Milk Mate and Hershey's. Nestlé is testing Quik Syrup, packaged in a squeeze bottle, in New England, Baltimore-Washington and Florida. The company had previously made a similar product in bulk for restaurant use, but this is the first time it has offered a liquid to the consumer.

Nestlé promises heavy introductory advertising for the 1-lb. 6-oz. item. The company's Bob Neumann says the syrup is perceived as a "separate and distinct market for us" from powdered Quik, which nevertheless is scheduled for higher levels of advertising and promotion this year than last.

According to Nestlé spokesman Kathy Kelly, there are presently "no plans to go national" with Quik Syrup; the company is taking a wait-and-see approach.

In the powdered field, Ovaltine may reap some benefits this year from its traditional association with comic strip character Little Orphan Annie, since the musical *Annie* is expected to be the summer's blockbuster film. According to Rick Levine, vice president of Larido Merchandising Inc., agent for premium and promotional licensing for Columbia Pictures, Ovaltine was named "Annie" premium licensee for mix-with-milk and mix-with-water beverages largely because of the established relationship.

Indeed, since Ovaltine and Annie began their promotional connection back in 1931, Ovaltine was allowed to get a head start on other "Annie" premium offers by issuing a 50-year commemorative cup. Currently, a shaker cup is being offered, and other premiums, perhaps including more versions of items that debuted in the 30's, are expected to appear.

On the gloomy side, canned pudding's slump continued in 1981, but at least the decrease was only –3.86%; the figure has been considerably worse in recent years.

In line with that relative improvement, Bob Blackburn, director of marketing for Michigan Fruit Canners, makers of Thank You puddings, predicts that 1982 may witness something of a turnaround.

"We're looking for some revitalization," he says. "More advertising dollars should be coming into the category. We're looking for improvement on the basis of the economics and convenience of the category.

"Pudding needs repositioning," Blackburn continues. "It's a wholesome snack alternative, made with milk. That approach may be one alternative. Extended usage may be another."

Despite the disappointing year, Blackburn remains bullish about the future.

"Canned pudding is a large and stable market segment," he maintains. "The canned segment will retain its place in the market." ☐

The gourmet trend has given a new lease on life to a long list of standard lines, pushing sales well past $3 billion

Spaghetti sauce and bottled dressings savor lively year

Fueled by the nation's persistent economic woes and the twin trends of health-consciousness and creative cookery, sauces and dressings steamed past the $3 billion sales mark last year.

What was a problem in some sectors of the food industry proved a boon here: Inflation-pinched consumers continued to trade down from expensive cuts of beef to more economical staples like poultry and pasta, both ideal candidates for tasty sauces. More and more Americans discovered within themselves a craving for exotically prepared dishes, created at home rather than purchased in expensive restaurants. And self-styled gourmets, dieters and natural-foods aficionados alike gobbled up salads with a frenzy.

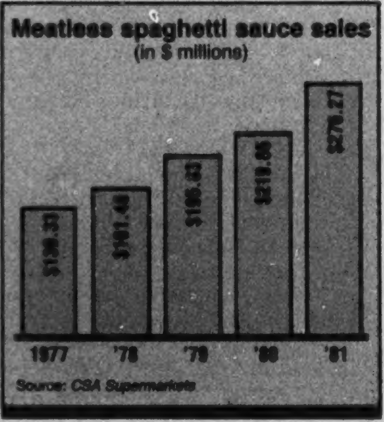
It all combined to push sales in the sauces department, where spaghetti sauce is king, up 27.5% to close to $1.8 billion. In the dressings department, the rise was a much less spectacular 9%, but sales totaled a highly respectable $1.4 billion. With the products' average gross margins hovering in the 16%-33% range, those figures put real smiles on the faces of weary supermarketers.

"The market is healthy indeed, especially with the popularity of gourmet cooking," one industry analyst concludes.

It's very lively, too. In the sauce sector, big producers like Chesebrough-Pond's Ragu Foods and Campbell Soup Co. are battling for leadership in the homemade-style spaghetti-sauce market, and both are fighting Armour-Dial's new LaSauce meat sauce product for shelf space. Meanwhile, makers of bottled salad dressings are slugging it out with makers of dry-mix dressings, and both sides are bombarding retailers and shoppers with new flavors and more healthful ingredients.

The spaghetti sauce shootout is a relatively recent development. Campbell's introduced its Prego

Meatless spaghetti sauce sales
(in $ millions)



Source: CSA Supermarkets

Sauces: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dry Mixes & Seasonings	**12.56**	**$ 222.60**	**$ 182.61**	**21.90**	**17.85**	**$ 73.81**	**52**	**33.2**
Gravy Mix	3.48	61.61	49.64	24.11	4.97	20.58	15	33.4
Sloppy Joe Mix/Seasoning	0.56	9.94	10.64	− 6.57	0.82	3.39	2	34.1
Chili Mix/Seasoning	1.35	23.85	19.50	22.31	1.89	7.80	5	32.7
Spaghetti Sauce Mix/ Seasoning	1.68	29.81	23.05	29.33	2.54	10.49	5	35.2
Other Dry Mixes & Seasonings	5.49	97.39	79.78	22.07	7.63	31.55	25	32.4
Mustard	**6.28**	**111.30**	**92.19**	**20.73**	**6.11**	**25.26**	**15**	**22.7**
Ketchup	**16.82**	**298.13**	**239.35**	**24.56**	**10.94**	**45.29**	**15**	**15.2**
Plain	13.57	240.49	193.25	24.45	8.66	35.83	11	14.9
All Other Ketchup	3.25	57.64	46.10	25.03	2.28	9.45	4	16.4
Spaghetti Sauce	**24.89**	**441.24**	**370.55**	**19.08**	**22.54**	**93.21**	**38**	**21.1**
Meatless	15.58	276.27	219.85	25.66	14.10	58.29	23	21.1
With Meat	8.19	145.09	122.33	18.61	7.22	29.89	13	20.6
With Clams	1.12	19.88	28.37	−29.92	1.22	5.03	2	25.3
Meat Sauce	**14.02**	**248.44**	**187.93**	**32.20**	**14.71**	**60.87**	**28**	**24.5**
Cooking Wine	**0.32**	**5.60**	**5.32**	**5.26**	**0.42**	**1.74**	**1**	**31.1**
Gravies, Prepared	**2.69**	**47.70**	**40.78**	**16.97**	**2.84**	**11.73**	**8**	**24.6**
Gravy Flavoring, Liquid	**0.45**	**7.95**	**6.42**	**23.83**	**0.46**	**1.91**	**2**	**24.0**
Chili Sauce	**1.68**	**29.81**	**23.05**	**29.33**	**1.74**	**7.21**	**4**	**24.2**
Cocktail & Seafood Sauce	**0.90**	**15.90**	**8.86**	**79.46**	**0.92**	**3.82**	**3**	**24.0**
Mexican Sauces	**7.51**	**133.17**	**79.78**	**66.92**	**8.85**	**36.62**	**20**	**27.5**
Pizza Sauce	**1.79**	**31.80**	**21.28**	**49.44**	**2.04**	**8.46**	**5**	**26.6**
Hot Sauce	**1.57**	**27.83**	**19.50**	**42.72**	**1.74**	**7.21**	**6**	**25.9**
Soy & Teriyaki Sauce	**3.14**	**55.65**	**42.55**	**30.79**	**3.28**	**13.58**	**7**	**24.4**
All Other Sauces	**5.38**	**95.40**	**69.15**	**37.96**	**5.56**	**22.99**	**18**	**24.1**
Total	**100.00**	**$1,772.52**	**$1,389.32**	**27.58**	**100.00**	**$413.72**	**222**	**23.3**

% of total store volume . . . 0.86%

line of tastes-like-Mama-made sauce on a limited basis in 1980, and Ragu, the long-time leader, came out with its Homestyle line shortly thereafter. Both brands appear to have eclipsed Hunt-Wesson Foods' Prima Salsa, an earlier contender, and observers speculate that Hunt-Wesson may be preparing another entry.

According to officials at Ragu, the homemade-style sauce was introduced in an effort to lure an unexpectedly large number of people away from their own spaghetti sauce pots and into the supermarket for a commercial brand. The company's research figures show that only eight years ago 67% of the nation's pasta-eaters made their own sauce at home from scratch. By 1978, aggressive sauce producers had shaved that to 57%, Ragu says, and last year the breakdown between scratch and commercial sauce was an even 50-50. In the meantime, perhaps given a boost by the notion that being able to buy a good sauce encourages people to eat pasta more often, sales more than doubled.

Producers also have mounted a concerted effort to convince shoppers that spaghetti sauce is good not only on pasta—and has fewer calories than many consumers think—but is ideal in other dishes

Dressings: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dry Dressing Mixes for Salads	**6.64**	**$ 95.40**	**$ 79.78**	**19.58**	**10.85**	**$ 26.04**	**17**	**27.3**
Mayonnaise	**36.22**	**520.74**	**448.56**	**16.09**	**15.39**	**36.97**	**11**	**7.1**
Dressing for Salad	**12.58**	**180.87**	**177.30**	**2.01**	**8.29**	**19.90**	**6**	**11.0**
Dressings, Bottled	**41.24**	**592.82**	**563.63**	**5.18**	**61.09**	**146.61**	**72**	**24.7**
Italian	11.96	171.99	173.87	− 1.07	16.91	40.59	18	23.6
French	6.84	98.35	102.65	− 4.18	10.00	24.00	9	24.4
Russian	2.07	29.73	30.82	− 3.53	2.77	6.66	3	22.4
Thousand Islands	3.60	51.68	46.16	11.96	5.43	13.02	6	25.2
Coleslaw	0.69	9.94	7.91	25.66	0.96	2.30	1	23.1
Cheese	3.22	46.29	48.12	− 3.79	4.69	11.25	4	24.3
All Other Bottled Dressings	12.86	184.84	154.10	19.95	20.33	48.80	31	26.4
Spreads	**3.32**	**47.70**	**51.24**	**− 6.90**	**4.38**	**10.50**	**6**	**22.0**
Sandwich Spread	1.52	21.86	16.45	32.89	1.75	4.20	2	19.2
Tartar Sauce	0.97	13.91	11.74	18.48	1.30	3.12	2	22.4
Garlic Spread	0.55	7.95	5.32	49.44	0.89	2.14	1	26.9
All Other Spreads	0.28	3.98	17.73	−77.54	0.44	1.05	1	26.3
Total	**100.00**	**$1,437.53**	**$1,320.51**	**8.86**	**100.00**	**$240.02**	**112**	**16.7**

% of total store volume . . . 0.70%

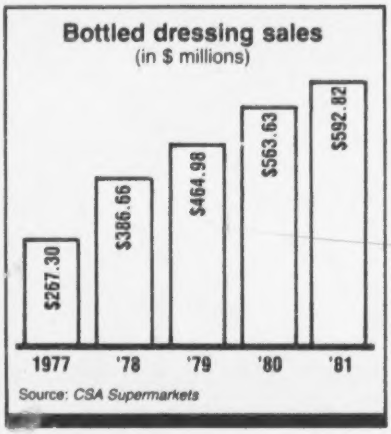
as well, like gourmet-favorite veal parmigiana.

Mustard: Another old-time product given a new lease on life by the gourmet trend is prepared mustard. The item made a strong rebound last year, scoring a 20% sales increase over the previous year, when sales were sluggish. The real growth, analysts and manufacturers agree, came not in the traditional, bright-yellow hotdog-style mustard, but in the darker, hotter and spicier types.

"The mustard category is very active, and there are a lot of new entries," says a marketing executive at one leading mustard producer. "Brown is the fastest-growing segment."

Others dispute that, claiming Dijon mustards and similar variations hold an edge. There's no disagreement, however, over the pace of the mustard market: frenetic.

Gulden's, long a leader in spicy brown mustard, now sells it in a "See 'N Squeeze" container as well as the traditional bottle; introductory orders are said to be running more than six times what had been projected. R. T. French Co., a leader in milder mustard, also is pushing a spicy brand and brands in which mustard is mixed with onion bits and horseradish. And hot specialty brands continue to sell well, particularly in more affluent markets.



Source: *CSA Supermarkets*

Ketchup: Mustard's traditional partner on American shelves, ketchup, also fared well last year, shored up especially by sales of barbecue-style and hot types. The reason appears to be less of the gourmet urge and more of the need to spice up the less expensive cuts of meat that dollar-conscious consumers are buying.

Dressings: In the dressings department, bottled products remained on the throne, but dry mixes were steadily gaining popularity. The mixes, which account for about 7% of the department's volume, logged a healthy sales increase of nearly 20%, while bottled dressings, which account for more than half the volume, actually declined.

Traditional liquid favorites, such as Italian, French and Russian dressings, fell off in sales and popularity, but new introductions were legion, and several chalked up healthy gains. Buttermilk and creamy-type products had broad appeal, and thick, refrigerated brands merchandised in produce departments performed steadily. Products designed to appeal to dieters and the health-conscious, keying on low- or no-fat ingredients, fared well in many areas. One manufacturer, Continental Food Products of Chicago, even reports success for its line of generic salad dressings.

Buttermilk-type products also scored well in the dry-mix subcategory, and natural and low-calorie mixes were strong contenders. Mix manufacturers stress that shoppers save money with the mixes. But, they're quick to add, that doesn't mean the supermarketer suffers—gross margins on mixes are, on the average, a few percentage points higher than those on liquids. □

Beans! Coffee consumption drops another 5%; category bags more customers thanks to high-quality and herbal teas

Coffee drinking grinds down, but tea brews up a storm

Americans are refilling their coffee cups fewer times a day with each passing year, and nowhere is the impact being felt more than in the nation's supermarkets, where sales of the beverage fell almost 4% in 1981.

According to the International Coffee Organization's Winter 1981 Study, consumption of coffee measured in the number of cups drunk per person per day was 5% lower last year than the year before. Looking back over the past 20 years, the downward change is nearly 40%.

Making matters bleaker for suppliers, the study adds that the current drop, unlike the one in 1977, is unrelated to price and appears to be part of a "long-term downward trend."

The sales figures appear to support these conclusions. Drip, fine, regular, flaked and electric percolator coffees all slipped, with all-purpose logging the worst decline. Evidently, consumers are not only drinking less, they're also more particular about what type they quaff.

That view is bolstered by the 19.41% rise in volume for specialty coffees, a real standout in the midst of generally bleak results. Flavored types, such as General Foods' International Coffees, heavily promoted on TV and in print, have captured the public's fancy as interesting and different alternative beverages.

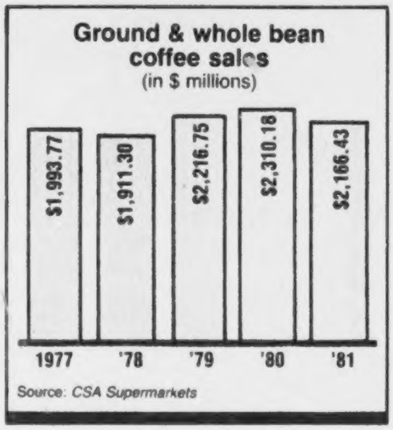
Conversely, instant coffee suffered a fate similar to ground, with nearly all sizes declining in sales. In specific sizes, the 8-oz. fared best, although it fell a not inconsiderable 8.48%.

Freeze-dried stats were equally disappointing, dipping 9.68%. But the subcategory may get a much-needed shot in the arm from Nestlé's recent reformulation of Taster's Choice. Described as a "darker, richer coffee," the change is attributed to a technological breakthrough that, according to a company statement, "extracts and locks in more coffee flavor and aroma from a new high-quality blend of beans." A new label on the familiar jar will highlight the change.

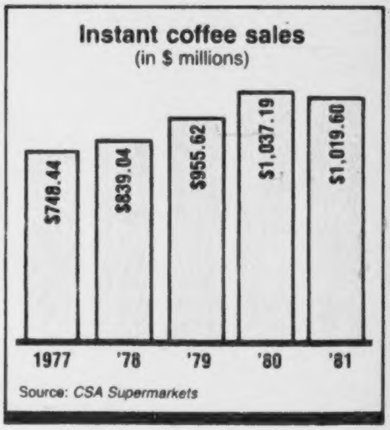
One type of coffee that has proved resistant to the general softening is decaffeinated. Sales of both ground/whole bean and instant increased.

According to the Winter 1981 study, the percentage of Americans who drink decaffeinated coffee has increased dramatically since 1962. In that year only one in 25 favored caffeine-free, while last year one in seven preferred it. The study states that two-thirds of decaffeinated drinkers use it in instant form.

Part of the increase may be caused by the broadening of the


Ground & whole bean coffee sales
(in $ millions)

Source: *CSA Supermarkets*


Instant coffee sales
(in $ millions)

Source: *CSA Supermarkets*

market. In addition to General Food's market leader, Sanka, Procter & Gamble's High Point and Brim are attracting new customers.

Meanwhile, the coffee industry isn't exactly ignoring its increasing troubles. The National Coffee Association is developing a three-year ad campaign designed to promote consumption, slated to bow in the fall or early next year.

Also looking to advertising this year is the National Federation of Coffee Growers of Columbia. It plans to spend four times what it did in 1979, says a spokesman, in hopes of seizing "an opportunity to become identified in the eyes of the consumer with better-quality coffee."

Tea: While coffee sales are cooling, the action is heating up in the tea section. The paler brew's sales rose 14.84% in 1981 to hit $581.53 million. Within the subcategory, two types of teas are showing particular signs of promise: high-quality blends and herbal teas.

Why all the sudden interest? Bruce Lukas, national sales manager for Grosvenor Marketing, which handles Twinings in the United States, suggests several reasons. One, he says, is the caffeine scare. "The strongest blend of tea has only 50% the caffeine of coffee. Brown teas have 30%, green 20%. And since Americans tend to like their tea rather weak, the percentages may actually be even lower."

Beyond caffeine, Lukas points to the fact that American tastes are

Coffee: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Specialty Coffees	**2.45**	**$ 97.39**	**$ 81.56**	**19.41**	**3.05**	**$ 16.75**	**7**	**17.2**
Ground & Whole Bean Coffee	**54.40**	**2,166.43**	**2,310.18**	**– 6.21**	**46.19**	**253.42**	**44**	**11.7**
Drip	17.59	701.60	721.60	– 2.76	15.99	87.70	11	12.5
Fine	1.85	73.54	74.46	– 1.23	1.90	10.44	1	14.2
Regular	12.48	496.89	507.07	– 2.00	10.69	58.63	12	11.8
Electric Percolator	8.64	343.85	368.78	– 6.75	7.02	38.51	9	11.2
All-Purpose	2.60	103.35	226.94	– 54.45	2.43	13.33	2	12.9
Decaffeinated Ground/ Whole Bean Coffee	7.94	316.02	264.17	19.63	5.70	31.29	5	9.9
Flaked Coffee	3.30	131.18	147.16	– 10.85	2.46	13.51	4	10.3
Coffee Creamers [Powdered]	**4.40**	**174.90**	**152.48**	**14.70**	**7.78**	**42.70**	**11**	**24.4**
3 oz.-8 oz.	0.45	17.89	15.96	12.09	0.89	4.88	2	27.3
9 oz.-13 oz.	0.75	29.81	28.37	5.08	1.37	7.54	2	25.3
Over 13 oz.	3.20	127.20	108.15	17.61	5.52	30.27	7	23.8
Instant Coffee	**25.62**	**1,019.60**	**1,037.19**	**– 1.69**	**26.97**	**147.97**	**27**	**14.5**
2 oz.	1.45	57.64	65.60	– 12.12	2.00	10.95	3	19.0
4 oz.	1.00	39.75	47.87	– 16.95	1.33	7.31	2	18.4
6 oz.	3.25	129.19	148.93	– 13.24	3.53	19.38	3	15.0
8 oz.	2.00	79.50	86.88	– 8.48	2.41	13.20	3	16.6
10 oz.-16 oz.	7.24	288.19	328.00	– 12.13	5.88	32.28	5	11.2
All Other Sizes of Instant Coffee	0.60	23.85	5.32	348.31	0.55	3.03	1	12.7
Decaffeinated Instant Coffee	10.08	401.48	354.59	13.22	11.27	61.83	10	15.4
Freeze Dried Coffee	**11.58**	**461.11**	**510.61**	**– 9.68**	**11.97**	**65.64**	**10**	**14.2**
Regular—All Sizes	7.49	298.13	319.13	– 6.57	7.72	42.33	6	14.2
Decaffeinated—All Sizes	4.09	162.98	191.48	– 14.87	4.25	23.31	4	14.3
Coffee Filters	**1.55**	**61.61**	**47.87**	**28.70**	**4.04**	**22.18**	**10**	**36.0**
Total	**100.00**	**$3,981.04**	**$4,139.89**	**– 3.83**	**100.00**	**$548.66**	**109**	**13.8**

% of total store volume . . . 1.93%

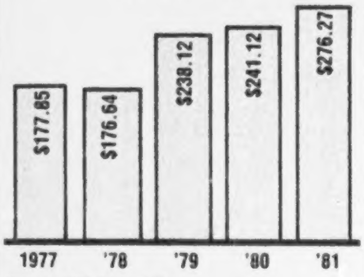
becoming more sophisticated. "People are stepping up," he says. "It's part of the gourmet trend." He adds that people are eating more lightly, and tea fits in with that mode.

Whatever the reason for its popularity, retailers are equally taken with the high-quality exotic-blend teas; margins run as high as 35%. Lucas contends, however, that they belong in-line with other tea, not in a gourmet section.

Irv W. Waters, of Bigelow Teas, echoes Lukas' warning. "It should be in the tea category—that's where the consumer looks for it," he says. "It's not a volume item, but it's high-profit to the retailer."

Waters is also concerned that retailers may not be giving tea the attention it deserves. "Supermarkets aren't really aware how exciting the category is," he says. "The tea trend is up, and coffee down, but the retailer has not adjusted the shelves."

Instant & liquid tea sales
(in $ millions)



Source: CSA Supermarkets

Besides high-quality teas, herbal teas are also notching considerable gains. Lipton's, Celestial Seasonings, Bigelow and Twinings (although the latter refuses to call it tea) are among the entrants in this rapidly expanding area. People are attracted to the product, says Waters, because "it has absolutely no caffeine—it's an all-natural product." The array of flavors also attracts many shoppers who like to experiment.

"Some consumers see it like a dessert," says Waters. "If they've had a hard day, they say, 'This is for me.'"

This year should see sales rise even more, if the increased level of advertising and in-store retailer support is any indication. Several companies cite plans for TV and newspaper ads, as well as couponing, many for the first time. If the potential customers they're counting on are there, the increased efforts should help bridge the gap between tea and coffee even further in 1982. ☐

Tea: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Tea Bags	**54.24**	**$413.41**	**$358.14**	**15.43**	**48.57**	**$ 88.18**	**31**	**21.3**
16-Count	8.93	59.63	44.32	34.54	10.30	15.27	10	25.6
48-Count	8.93	59.63	58.51	1.91	7.93	11.75	3	19.7
100-Count	25.60	170.93	168.43	1.48	17.99	26.67	4	15.6
All Other Tea Bag Counts	9.23	61.61	39.01	57.93	8.31	12.32	4	20.0
Loose/Bulk Tea	**5.95**	**39.75**	**30.14**	**31.88**	**6.62**	**9.82**	**6**	**24.7**
Instant & Liquid Tea	**41.36**	**276.27**	**241.12**	**14.58**	**48.85**	**72.38**	**20**	**26.2**
Total	**100.00**	**$667.82**	**$581.53**	**14.84**	**100.00**	**$148.20**	**47**	**22.2**

% of total store volume . . . 0.32%

A poor crop kept potato chip production and sales down, but popcorn, pretzels and tortilla chips notched healthy gains

POPcorn
pretzels

Crisp year for the munchies

American consumers continued to nibble away at snacks at a snappy pace in 1981. Overall sales moved forward at a healthy clip, gaining better than a 6% increase in unit movement and surpassing $2.5 billion in sales.

Corn-tortilla chips, catering to the ever-developing taste for Mexican-type food specialties, were the big winners once again, ahead more than 16% in tonnage. Popcorn also continued to gain, moving out over 6 million lb.—up 5.6% from 1980. And pretzels generated fast-paced sales with a 7% gain in tonnage.

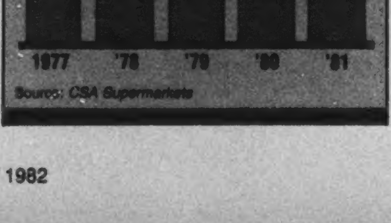
In fact, the only loser last year in terms of unit movement was potato chips. At year's end, while still dominating the snack category, potato chips had slipped to 50% of total snack sales.

The lack of growth in potato chip production, according to suppliers, can be placed at the feet of the poor crop in 1981; the shortage was further aggravated when available stock dwindled due to a partial supply spoilage pushing potato prices up 10%.

"This year's crop has been healthier, and we're projecting a stronger year," says Wise Potato Chips' Ed Rutland.

Looking beyond the potato chip market, Wise is currently developing low-calorie snacks based on potato, cheese, tortillas and corn, which is a cheaper commodity than potatoes. Test-marketing is expected to start in the latter part of 1982, but targeted areas have not yet been announced.

Potato chip sales
(in $ millions)



Source: CSA Supermarkets

Popcorn: Unlike the potato crop, popcorn supplies in 1981 were abundant for the second year in a row and the outlook for a normal crop harvest in October promises a relatively stable price structure.

One of the newer entries on the market comes from Austin-Kane Inc., which introduced a new line of microwave popcorn that doesn't need to be frozen prior to use. Targeted marketing areas are the Rocky Mountain states and selected Midwest regions. The company's planned advertising support campaign, aimed at some 15 million people, will include TV, radio and cable spots, as well as college magazines with couponing.

"The industry continues to emphasize popcorn as a healthy, high-fiber, nonjunk food snack," says William Smith at the Popcorn Institute.

Pretzels: This year pretzels made a good showing, too, with more manufacturers jumping into the

Snacks: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Snacks	**100.00**	**$2,506.21**	**$2,299.54**	**8.99**	**100.00**	**$692.38**	**36**	**27.6**
Potato Chips	50.58	1,267.58	1,251.42	1.29	50.70	351.12	4	27.7
Fabricated Snacks	3.10	77.70	66.90	16.14	3.15	21.83	4	28.1
Corn-Tortilla Chips	31.19	781.80	653.71	19.59	30.04	207.96	2	26.6
Pretzels	9.89	247.89	214.18	15.74	10.17	70.40	3	28.4
Popcorn	2.39	59.81	53.05	12.74	2.82	19.50	4	32.6
All Other	2.85	71.43	60.28	18.50	3.12	21.57	19	30.2
Total	**100.00**	**$2,506.21**	**$2,299.54**	**8.99**	**100.00**	**$692.38**	**36**	**27.6**

% of total store volume . . . 1.22%

premium-type butter arena. Bachman Foods introduced its butter entry at a 10%-15% premium price. "We're opening up new markets and forecasting a 20% increase in business," says Tony Pinho, the company's vice president of sales.

Bachman's other expansion plans include its recently introduced Cheese Sticks. "It looks like a pretzel, tastes like a cheese cracker and will retail for 99¢," says Pinho.

The company is also sporting newly redesigned metallic-looking packaging for both its potato chips and Cheese Sticks. "On a recent promotion, the new packaging moved potato chips out 10-1 over the old bags," reports Pinho.

Tracking space to sales: While a year has elapsed since the publication of the Frito-Lay-sponsored McKinsey Report on retailing snacks, it's difficult to measure its contribution to the increase in sales. The report, aimed at the retailer, measured the economic performance of direct-store-delivered snacks against total store performance. It noted that snacks, regularly store-delivered, have a higher-than-average margin (around 28%), resulting from the relatively low handling and landed expenses.

"Snacks can therefore result in a net profit of 11.6% as against dry grocery performance, today typically around 1.6%," reasons Al Carey of Frito-Lay.

The study further stressed merchandising techniques using increased promotional and prominent display support, as well as space management.

"It basically restates the longstanding 'space-to-sales' concept," says a company spokesman at Bachman. "But as snack sales have been on a high for some time, it is uncertain what effect it actually has had on retailing," says another industry observer.

Suppliers are generally optimistic and don't regard the downturn in the economy as a threat. "Snacks," says Ed Rutland of Wise, "are recession-proof." ☐

CANNED FISH

Upbeat '81 turns into a troubled '82 as record catch leaves tuna packers with too much, and salmon packers with a health scare

Please!
Return all 7¾ oz
Salmon Purchased
in past yr for a
Refund
King Oscar
SARDINES

Rising sales aside, canners face some reel problems

Last year's catch of salmon and tuna may have been an all-time high, but before the year was out the attitude of most canners was at an understandably all-time low.

Despite the near-record salmon catch, and the prospects of an even greater harvest this year, sales of 7¾-oz. cans of salmon plunged this spring, and new business was practically nonexistent—all this following the recent botulism scare and subsequent salmon recall.

While the salmon industry was working through its problems, the tuna packers were wrestling with the extraordinary 1981 catch. One major San Diego-based supplier, swimming in tuna, had to close three of its canning facilities in order to reduce inventories.

Such were the problems that plagued this $2 billion category.

Salmon: The salmon industry's problems started with the recall of 7¾-oz. cans by eight Alaskan salmon canners responding to a botulism scare in Belgium: After the recall, further investigation revealed penpoint size holes in some 100 cans that were thought to have resulted from faulty reformer equipment used to shape cans.

As a result, in May, salmon packers preparing to start up production for the imminent canning season huddled with the F.D.A.'s Regulatory Guidance Division, the National Food Processors Association and American Can Co., which owns and leases much of the reformer equipment used in Alaska's packing industry.

In addition to working out the traditional annual "salmon plan" to ensure ongoing sanitation and container integrity, the canners were subjected to intensive scrutiny by the F.D.A. in light of the European incident.

"We are inspecting each one of the firms to see if they are following established procedures to ensure the quality of the salmon produced," explains John Taylor, director of the F.D.A. division of Regulatory Guidance.

At presstime neither the new salmon control plan nor a final statement of condition from the F.D.A. had been completed, but a spokesman at the National Food Processors Association said that modifications under consideration included new automated inspection procedures.

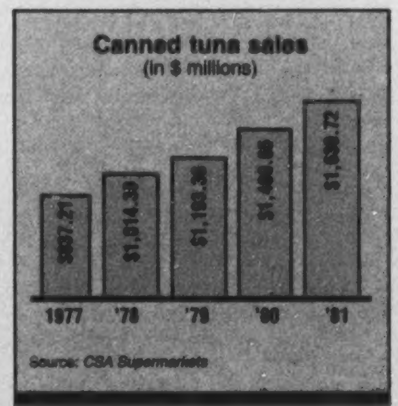
Yet the salmon industry expects "all major canners of salmon to reopen for this season's harvest starting in late May," according to Alex Brindle, president of Ward's Cove, Seattle, Wash., one of the packers involved in the recall.

In a move to revitalize the industry beyond the present crisis, and taking advantage of the year's good catch, manufacturers propose to reduce the $1.49/7¾-oz. cans' retail price to around $1.29, and 99¢ as a feature.

"We are looking to be competitive with the 6½-oz. tuna cans ounce for ounce," says a Bumble Bee spokesman.

It is further expected that the state of Alaska, where much of the economy depends on the salmon industry, will commit some $5 million to help re-establish canned salmon as a viable, safe, healthy meal. Currently they are looking at print and TV ad campaigns to help foster a positive image.

Tuna: The tuna industry's dilemma developed from 1981's unusually large catch and was most apparent at Star-Kist, the California-based division of H. J. Heinz. Dazzled by an overabundance of good fortune, the company enthusiastically built inventories for unrealistically high sales projections, which did not materialize. Acting to shave both the canned and unprocessed inventories, Star-Kist closed down its Puerto Rican, American Samoan and Terminal Island, Calif., packing facilities for three-week periods



Source: CSA Supermarkets

Canned Fish: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Tuna	**72.84**	**$1,639.72**	**$1,400.65**	**17.07**	**60.62**	**$225.78**	**34**	**13.8**
Light	43.44	977.87	810.25	20.69	40.96	152.55	21	15.6
White	26.93	606.20	537.21	12.84	18.23	67.89	11	11.2
Specialties	2.47	55.65	53.19	4.62	1.43	5.34	2	9.6
Salmon	**14.00**	**315.27**	**317.54**	**– 0.70**	**19.13**	**71.25**	**9**	**22.6**
Sardines	**2.74**	**61.61**	**60.28**	**2.21**	**4.37**	**16.27**	**10**	**26.4**
Anchovies	**0.44**	**9.94**	**8.86**	**12.19**	**0.78**	**2.89**	**2**	**29.1**
Herring & Kippers	**0.35**	**7.95**	**7.09**	**12.13**	**0.55**	**2.07**	**1**	**26.0**
Mackerel	**0.53**	**11.93**	**10.64**	**12.12**	**0.79**	**2.96**	**1**	**24.8**
Crab	**2.83**	**63.60**	**69.14**	**– 8.00**	**3.84**	**14.29**	**4**	**22.5**
King	0.71	15.90	31.91	–50.16	0.96	3.56	1	22.4
All Other Crab Products	2.12	47.70	37.23	28.12	2.88	10.73	3	22.5
Shrimp	**2.30**	**51.68**	**42.55**	**21.46**	**3.52**	**13.13**	**4**	**25.4**
Clams	**1.94**	**43.73**	**37.23**	**17.46**	**3.16**	**11.76**	**4**	**26.9**
Oysters	**1.24**	**27.83**	**23.05**	**20.74**	**1.95**	**7.28**	**4**	**26.2**
Wet Pack	0.53	11.93	14.41	–17.20	0.92	3.44	2	28.8
All Other Oysters	0.71	15.90	8.64	84.03	1.03	3.85	2	24.2
All Other Canned Fish	**0.79**	**17.89**	**12.41**	**44.16**	**1.29**	**4.81**	**4**	**26.9**
Total	**100.00**	**$2,251.15**	**$1,989.44**	**13.15**	**100.00**	**$372.50**	**77**	**16.5**

% of total store volume . . . 1.09%

during May and June. This move also idled some estimated 50% of the $10 million fishing boats.

"Such closings, though, are fairly routine," says a Star-Kist spokesman, "but this year with the high national unemployment rates, more attention has focused on the tuna layoffs."

On the sales side, 1981 saw a continuing see-sawing in share of sales between white and light meat. Light meat tonnage sales were up some 5%-7%, while albacore white meat tonnage was off around 10%. The price spread between the two types of tuna, once 20-25¢, was in the 40-45¢ range, and consumers expediently shifted their priorities to the lower cost; sales of oil and water-pack continue at the 50-50 mark.

In April and May, during the inventory reduction, wholesale prices on light meat were down at $37 per case, and $54 for white, and one industry spokesman conjectures it could conceivably go down a dollar or two lower during the summer.

The industry is projecting an "up" market this summer vis-a-vis the "hot" prices available to retailers.

Clams: Unlike the salmon and tuna catch in 1981, clams have been in tight supply having been overfished inland. Where clamming in the past had taken place five miles off shore, there are now Government restrictions by way of allocations based on each company's past history for in-shore surf clams. As a result, clammers are traveling 20-25 miles out to sea to identify new Quahog clam beds.

Yet despite the shortage, and the increased costs of bringing in the catch, clams are up there with the big boys. Industry dollar sales in 1981 were up better than 17%, while tonnage movement improved some 8%, with West Coast retailers gobbling up much of the catch.

"Sales have grown with the downturn in the economy," reports Marv Klompus of Doxsee Clams. "People using more pasta are looking for something a little more exotic than ordinary spaghetti."

Bowing to the growing taste for clams, Bumble Bee has recently introduced a line of boiled baby clams and smoked clams.

Crabmeat, shrimp: Like clams, both the crabmeat and shrimp catch were down in 1981, 60% and 30% respectively.

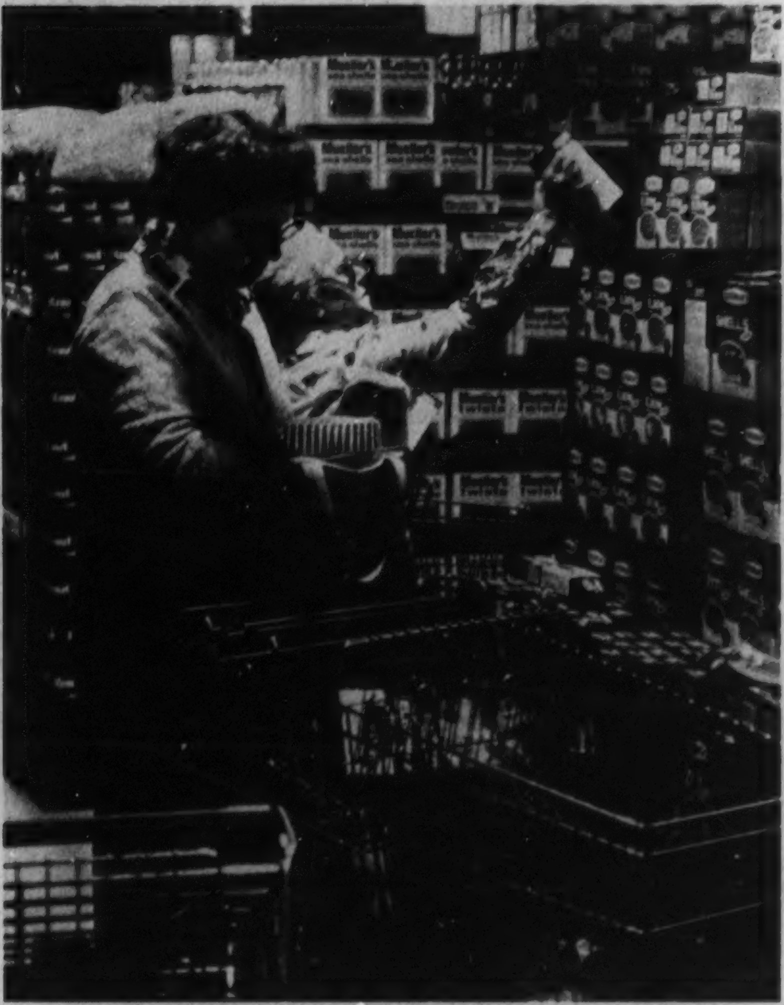
Raw crabmeat went up 40%, much of which was passed along to the retailer; but Alaskan shrimp costs, up 25%-30%, were almost impossible to pass along on the retail ticket. "The average shopper refuses to pay $2.29 for a 4-oz. can of shrimp," says David Bash, Pacific Pearl's director of sales.

Consequently sales have been flat; and while per capita consumption continues to hover between 10 and 13 lb. per year, industry observers tracking the growth of seafood meals in restaurants cannot understand why small growth projections (2%-3%) have not materialized.

"Actually the problem comes down to the American consumer who still thinks it's O.K. to pay a higher price for red meat in the supermarket, but is still reluctant to pay the higher price for fish," says one canner. "It's as if it's a luxury they can't afford."

Sardines: The news from sardine canners is that the strides that pilchard—canned chunk sardines—made in 1980 have retrogressed. Offered as a less expensive alternative to tuna, pilchard suffered a sales decline as the price gap narrowed; and while overall sardine dollars were slightly up, the real story is that tonnage was down. ☐

It's a weight-watcher's delight, a source of high energy—and manufacturers are actively promoting its new image



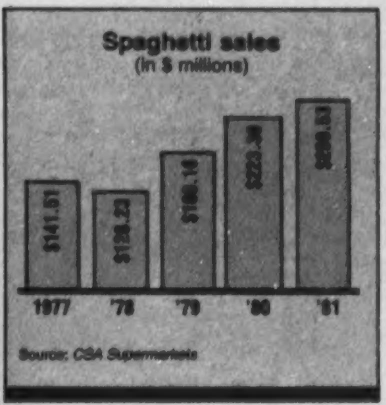
Slim shape of things to come

The Italians knew about it for 600 years. The Potato Board has aggressively promoted it for the past 10 years. And now the pasta industry is doing something about it.

"It" is the nonfattening, high-energy content that is intrinsic to carbohydrates.

For years the potato was saddled with a fat, starchy image. Then a dazzling campaign was mounted, showing that this vegetable is not the scourge of weight-watchers but is actually a dieter's delight: 100 calories in a medium-sized potato. When you substitute "pasta" for "potato"—and switch potato's 100 calories to a 4-oz. serving of pasta—it's easy to see why pasta has become the darling of the nutritional set, especially the sporting crowd.

Pasta is gaining wider acceptance as an energy-storing source for athletes, and pasta manufacturers are in the promotional forefront. Buitoni sponsored the New York Marathon pasta party in October and served 5,000 pasta dinners to participants and dignitaries. And pasta milling companies sponsor the annual International Durum Forum—also known as the Pasta Olympics—in Minot, N.D.



Source: CSA Supermarkets

Pasta's sales lineup is being strengthened by its new extra-base slugger—low-calorie pasta. Prince Macaroni rolled out Light Spaghetti in New England last fall, then extended distribution to Chicago and Detroit. In late April 1982, Prince began penetrating deeper into the Northeast and Midwest.

A Prince marketer says Light has one-third fewer calories than regular. It is available in two forms: thin spaghetti and elbow macaroni in the 10-oz. size. The price—79¢ to 83¢—is equivalent to the 16-oz. regular.

The fly in pasta's low-cal ointment is that no one eats pasta without some kind of garnish; therefore, the sauce becomes the calorie culprit.

That's why Ronzoni introduced Lite 'n' Natural in metropolitan New York last year and has since expanded into the Philadelphia metro market.

Four ounces of meat-flavored Lite 'n' Natural sauce has 50 calories, while Lite 'n' Natural meatless sauces have 45.

With light sauces, Ronzoni says it is possible to serve a complete meal with fewer than 300 calories. A spokesman breaks it out: "Two ounces of dry pasta cook into a 5-oz. to 6-oz. serving. That's 210 calories. Now add 45 or 50 calories of 4-oz. sauce, and you're under 300. But even if you use 8 oz. of Lite 'n' Natural meatless sauce, you still won't go over 300."

Pasta Products: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Macaroni Dinners	**18.92**	**$ 194.78**	**$173.75**	**12.10**	**12.00**	**$ 28.74**	**7**	**14.8**
With Cheese	11.97	123.23	99.29	24.11	9.88	23.66	6	19.2
All Other Macaroni Dinners	6.95	71.55	74.46	– 3.90	2.12	5.08	1	7.1
Noodle Dinners	**5.98**	**61.56**	**60.28**	**2.12**	**6.61**	**15.84**	**11**	**25.7**
With Meat	1.69	17.42	19.50	–10.66	1.97	4.72	4	27.1
All Other Noodle Dinners	4.29	44.14	40.78	8.24	4.64	11.12	7	25.2
Spaghetti Dinners	**2.36**	**24.31**	**24.82**	**– 2.04**	**2.34**	**5.59**	**3**	**23.0**
With Meat	1.27	13.06	14.18	– 7.89	1.16	2.77	1	21.2
All Other Spaghetti Dinners	1.09	11.25	10.64	5.73	1.18	2.82	2	25.1
Noodle Mixes	**1.09**	**11.19**	**10.64**	**5.17**	**1.33**	**3.18**	**4**	**28.4**
Macaroni	**17.73**	**182.59**	**179.07**	**1.97**	**19.67**	**47.15**	**30**	**25.8**
Elbow	8.36	86.10	85.10	1.18	8.80	21.09	11	24.5
All Other Macaroni	9.37	96.49	93.97	2.68	10.87	26.05	19	27.0
Noodles	**18.05**	**185.81**	**179.07**	**3.76**	**19.67**	**47.14**	**26**	**25.4**
Flat	10.78	110.93	106.38	4.28	12.45	29.84	13	26.9
All Other Noodles	7.27	74.88	72.69	3.01	7.22	17.30	13	23.1
Spaghetti	**24.32**	**250.53**	**223.39**	**12.15**	**26.18**	**62.75**	**24**	**25.0**
Regular	18.16	187.15	161.34	16.00	19.83	47.54	15	25.4
All Other Spaghetti	6.16	63.38	62.05	2.14	6.35	15.21	9	24.0
Meat Extenders	**0.39**	**3.98**	**4.18***	**– 4.77**	**0.49**	**1.17**	**1**	**29.4**
Pizza Mix	**2.50**	**25.72**	**26.59**	**– 3.26**	**2.63**	**6.30**	**4**	**24.5**
One-Pot Dinners to Which Fresh Meat/Fish Is Added	**5.26**	**54.04**	**56.74**	**– 4.75**	**5.35**	**12.81**	**11**	**23.7**
With Noodles or Macaroni	1.97	20.24	21.28	– 4.88	1.98	4.74	3	23.4
With Rice	0.33	3.37	3.55	– 5.06	0.30	0.71	1	21.0
All Other One-Pot Dinners With Meat/Fish Added	2.96	30.43	31.91	– 4.63	3.07	7.36	7	24.2
Noodles With Sauce Mixes	**2.32**	**23.85**	**21.28**	**12.08**	**2.67**	**6.39**	**6**	**26.8**
All Other Pasta Dinners	**1.08**	**11.10**	**10.64**	**4.32**	**1.06**	**2.53**	**1**	**22.8**
Total	**100.00**	**$1,029.46**	**$966.27**	**6.54**	**100.00**	**$239.59**	**128**	**23.3**

% of total store volume . . . 0.50%

*Revised 1980 figures

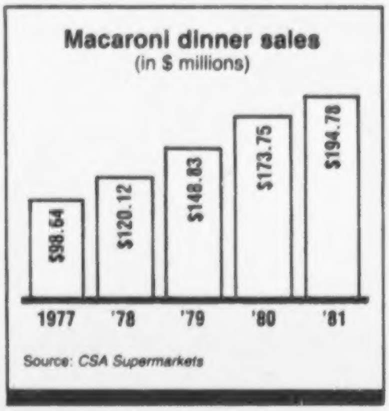
Manufacturers of packaged dinners caught a whiff of the lo-cal wind and are now testing dinners with less cheese as well.

The other side of the lo-cal coin is nutrition. Even as pasta manufacturers are tooting the nutritional horn, they're finding that it's not easy to change long-held consumer perceptions.

A case in point is Prince Macaroni's Superoni. This soy-enriched product has 41% more protein than inexpensive beef cuts, Prince claims, but because of the soy flour, Superoni has a dark yellow color. So it will take a high-decibel, long-range educational program to turn Superoni into a super-seller.

Education on the menu front, however, is moving ahead briskly. Pasta is being increasingly used in salads, cold dishes and with vegetables, as in Stouffer's Lean Cuisine line.

Pasta is also expanding its cuts into different shapes such as wagon wheels, shells and mostaccioli.


Macaroni dinner sales
(in $ millions)

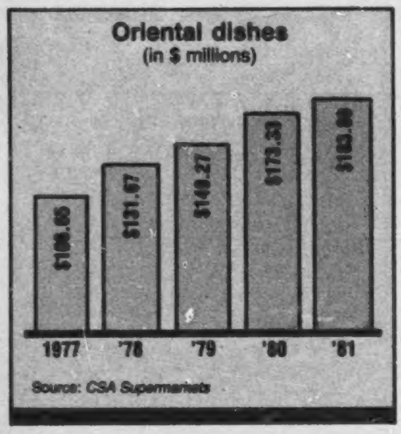
Source: CSA Supermarkets

Generics and private label macaroni/cheese dinners continue on the upside. In 1980, generics accounted for 3% of mac/cheese dinner volume; in 1981 it was 6.5%. And private label mac/cheese is running around 20%.

Noodle-based dinners without meat are viable merchandising packages because the price range is still below $1 (79¢-83¢). However, when meat is added, the price rises to $1.19-$1.29 and sales fall back. Thus, breaking the $1 barrier is a psychological inhibitor for noodles-with-meat.

The same rationale applies to one-pot dinners to which meat must be added. Here again, when the price goes over $1, resistance is evident. ☐

Sales were flat; even ethnic foods faced a soft market. But meaty movement in the South sparks some optimism



Source: CSA Supermarkets

Holding on in a shaky market

Overall, canned meat suppliers found little to cheer about last year. Sales just managed to keep pace with inflation, but tonnage remained flat. Nevertheless, some packers saw a ray of sunshine coming out of the Southern section of the country, where category sales showed a 2½% increase in product movement.

"This is the most important part of the market," says Hal Goldberg at Armour-Dial Co., a leader in the business, "since it substantially accounts for almost half the United States canned meat volume."

So while allowing for the otherwise flat 1981 sales and a reduction in canned ham production, there are those packers who are optimistically viewing this regional movement as a bellwether of things to come.

The American Meat Institute's beef figures were also up slightly: a 3% increase in last year's commercial beef production and the retail price at only a cent higher than 1980. Chopped beef increased 50% to 12 million lb.; while it is a small category, it represents one of the biggest percentage boosts in the canned meat industry.

On the other hand, commercial production of pork, influenced by the smaller hog slaughter in 1981, was off 4% to 15.7 billion lb. From this available raw material, canners produced 280 million lb. of canned hams and about 117 million lb. of chopped ham, chopped pork and luncheon meat.

But while the production of ham dropped off in 1981, manufacturers liquidated 1980's carryover along with the 1981 production. "It's cyclical," explains Armour's Arnie Conquist. "In 1980 the industry processed 308 million lb. of ham, carrying over 40 million lb.; in 1981 we processed 247 million lb., yet liquidated much of the carryover and the newly processed product."

Given the unusual carryover of product from the high production of 1980 to the low production of 1981, the fluctuation apparently is not as wide as it appears.

At the same time, however, the cost of the finished product is up, and going higher; raw materials for ham cost 84¢ this past year, as against 65¢ the year before, and some industry experts expect it can go as high as $1. But one manufacturer stresses that the lower price of beef and turkey gives the consumer an alternative, and the pork packers hope this option will keep a ceiling on pork.

Looking to future product development, and recognizing the healthy growth of hash this past year, Armour-Dial is currently test marketing a 15-oz. can of roast beef hash in both North and South Carolina.

Libby, McNeill and Libby, long attuned to the corned beef hash market, has expanded its line to include hashes made with ham, roast beef and pork sausage.

And in a marketing effort to move more tonnage to weight-conscious consumers, Libby will be promoting its canned corned beef by emphasizing "80% more protein and 45% less fat" in its ads.

Moreover, Armour-Dial has expanded its promotional ad allowance during peak seasons. Presently it's targeted to the long summer holiday weekends.

"Last year," says Goldberg, "promotional canned meat ads at the retail level were down 20%. Canned meat has a fertile market and only needs some encouragement."

Canned Meat/Specialty Foods: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Italian Dishes	**24.89**	**$ 359.20**	**$ 366.94**	**– 2.10**	**22.89**	**$ 72.86**	**24**	**20.3**
Spaghetti w/Meat	6.39	92.30	96.05*	– 3.89	6.23	19.84	6	21.5
Spaghetti—All Other	4.36	62.90	64.97*	– 3.18	3.10	9.88	3	15.7
Macaroni w/Meat	3.78	54.60	55.26*	– 1.18	3.52	11.19	4	20.5
Macaroni—All Other	1.12	16.10	16.01*	0.56	1.12	3.56	2	22.1
All Other Italian Dishes	9.24	133.30	134.65*	– 0.99	8.92	28.39	9	21.3
Spanish/Mexican Dishes	**21.74**	**314.03**	**264.17**	**18.87**	**23.05**	**73.33**	**31**	**23.4**
Chili—All Types	12.79	184.84	156.02	18.47	13.31	42.33	14	22.9
All Other Spanish/ Mexican Dishes	8.95	129.19	108.15	19.45	9.74	31.01	17	24.0
Oriental Dishes	**12.73**	**183.80**	**173.33**	**6.04**	**14.93**	**47.52**	**23**	**25.9**
Oriental Dinners	1.79	25.84	37.99	–31.97	2.05	6.54	4	25.3
Chow Mein	3.72	53.66	43.28	23.98	4.30	13.68	6	25.5
Chop Suey	0.62	8.90	8.72*	2.06	0.71	2.27	0	25.5
Chinese Vegetables	2.89	41.74	33.69	23.89	3.45	10.98	7	26.3
Chinese Noodles	2.20	31.80	28.37	12.09	2.68	8.52	3	26.8
All Other Oriental Dishes	1.51	21.86	21.28	2.73	1.74	5.53	3	25.3
Prepared Meat Dishes	**11.29**	**162.97**	**129.42**	**25.92**	**10.51**	**33.46**	**14**	**20.5**
Chopped Meats w/Sauce	0.96	13.91	10.64	30.73	0.97	3.10	1	22.3
Sliced Meats w/Sauce	0.96	13.91	8.86	57.00	0.99	3.14	2	22.6
Hash	4.96	71.55	54.96	30.19	4.72	15.03	5	21.0
Stew	3.86	55.65	47.87	16.25	3.32	10.57	5	19.0
All Other Prepared Meat Dishes	0.55	7.95	7.09	12.13	0.51	1.61	1	20.3
Prepared Poultry Dishes	**1.79**	**25.84**	**23.04**	**12.15**	**1.93**	**6.16**	**4**	**23.8**
Poultry Dinners	0.83	11.93	14.18	–15.86	0.85	2.72	2	22.8
All Other Prepared Poultry Dishes	0.96	13.91	8.86	57.00	1.08	3.44	2	24.7
Plain Meats	**21.21**	**306.09**	**281.79**	**8.62**	**19.39**	**61.74**	**21**	**20.2**
Chopped Meat	0.41	5.96	9.89	–39.73	0.50	1.58	1	26.5
Corned Beef	3.58	51.68	49.64	4.11	3.73	11.89	2	23.0
Dried Beef	1.24	17.89	17.73	0.90	1.23	3.92	1	21.9
Luncheon Meat & Tongue	6.75	97.39	86.88	12.10	4.22	13.44	4	13.8
Vienna Sausages	3.58	51.68	44.32	16.61	3.75	11.94	4	23.1
Meat Spreads	3.17	45.71	39.01	17.18	3.04	9.69	5	21.2
All Other Plain Meats	0.55	7.95	4.18	90.19	0.61	1.94	2	24.4
Ham	1.93	27.83	30.14	– 7.65	2.31	7.35	2	26.4
Plain Poultry	**5.52**	**79.51**	**76.24**	**4.29**	**6.34**	**20.19**	**7**	**25.4**
Boned	3.17	45.71	42.55	7.43	3.72	11.84	3	25.9
Whole	0.28	3.98	3.55	12.11	0.33	1.06	1	26.6
Spreads	0.69	9.94	12.41	–19.89	0.74	2.35	1	23.6
All Other Poultry	1.38	19.88	17.73	12.13	1.55	4.95	2	24.9
All Other Canned Meat & Specialty	**0.83**	**11.93**	**12.41**	**– 3.86**	**0.96**	**3.07**	**3**	**25.7**
Total	**100.00**	**$1,443.37**	**$1,176.86**	**22.65**	**100.00**	**$318.33**	**127**	**22.1**

% of total store volume . . . 0.71%

*Revised 1980 figures

Specialty foods: Oriental food sales continue to grow, but at a slow rate—up 2%-4% in 1981. Business was stronger in the earlier part of the year, with its cyclical softening coming during the warm weather. "Traditionally it's more of a cold weather food," explains a San Francisco packer. "The beginning of 1981 and the last half were very substantial."

But projections for this year, according to an Ohio packer, are sketchy. "We're fighting a very soft market, and we're currently gaining little."

Mexican food, however, kept up its brisk momentum, gaining some 10%-11% in 1981. Chili particularly made a sharp rebound, up 18% from a flat market in 1980. Says one Mexican food processor, "Ethnic food seems to do well in most economies. It represents a change of pace." ☐

The old formula that tough times mean increased flour sales no longer holds in this era of the working woman

Cake mixes hot, flour not as shoppers opt for convenience

It is a retailing truism that when consumers suffer the duress of inflation and recession, they turn back to basic commodities to stretch their weakened dollars.

In 1981 that was true of the baking needs category to the extent that cake mixes and other convenience-oriented items fared quite well. But flour, the cornerstone of staples, had a very different kind of year.

Despite the economic problems of the country, which according to the standard theory would lead consumers to bake more, flour sales of $620 million represented only a 10.7% sales increase over 1980. And manufacturers admit that the bulk of that increase was from rising prices at retail, aided only slightly by increased consumption.

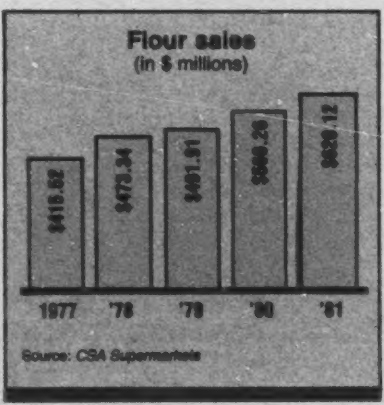
“The long-term trend in the flour market in supermarkets is downward,” admits Kathy Newton, a spokesman for General Mills, makers of Gold Medal.

What's behind this apparent contradiction? The answer can be found in demographics. In 1960, 38% of eligible working women were in the labor force. Today, that number is 52% and climbing. These women indicate that they simply don't have the time to bake from scratch.

Moreover, their new jobs represent additional family income, making the purchase of easy-to-prepare bakery products a comfortable tradeoff between eating out and baking from scratch.

Still, there are a few positive notes to be sounded for flour.

First, as General Mills' Newton explains, “Some improvement in flour consumption took place last year, and it's expected to continue because of the maturation of the baby boom generation.”



Source: CSA Supermarkets

Also, within the overall lackluster showing, certain specialized flours turned in respectable performances. Cornmeal, with continued strength in the South, was up nearly 18% in dollar volume. And whole wheat flour rode the natural foods trend to what manufacturers estimate was a 25%-30% sales gain.

Generic flours, which as recently as 10 years ago didn't even exist, have grown to command a 10% market share that's still on the increase. This hasn't gone unnoticed by the large flour manufacturers. As one regional producer put it, “The big guys are very, very concerned. They're actually selling their brands cheaper than generics in many areas.”

But the woes of flour are proving to be a boon to cake mixes and other easily prepared baking needs.

Cake mixes enjoyed a solid 21% sales climb in 1981, which is particularly impressive because it represents a volume increase, not numbers inflated by price hikes.

The three giants in this area, Pillsbury, Duncan Hines and Betty Crocker, increased their advertising budgets for cake mixes by an estimated 10%-20% last year, and it's a trend that's expected to continue.

All three have jumped on the carrot cake bandwagon, and all report having had an excellent year with it. Carrot cake sales rose over 20% in 1981, and manufacturers are expecting more of the same in 1982 and 1983. Other cake mix winners last year were chocolate cake (up 20.3%) and yellow/golden (28.1%).

Sales of brownies and cookies jumped 21.7%, while muffins and sweet breads and rolls enjoyed a 25% increase.

Sugar: The billion dollar sugar subcategory is another story.

In 1980, dollar sales increased an astronomical 82% because of poor crops in key sugar-producing countries.

The situation reversed in 1981, with dollar volume down 10.9% on the heels of a good worldwide harvest. And retailers can now look for stability in this traditionally volatile subcategory with the Federal Government's implementation late last year of a price support program for domestic sugar producers.

Still, overall per capita sugar consumption in the United States has been declining for the past decade. Though that trend abated somewhat last year because of increased home cooking due to the troubled economy, it has signaled a shift in eating habits that's likely to continue.

Worth noting, though, is the 1981 track record of brown sugar. Representing $87 million in total sales, brown sugar's decline was half that of sugar as a whole. One leading manufacturer points out, "It's a product with strong, specialized appeal. And retailers have been able to improve their margins on brown sugar, from 15% a couple of years ago to 20%-24% last year."

Oils and shortenings: This major baking needs subcategory was affected primarily by changing eating habits.

The growing movement toward more healthful foods turned consumers away from calorie-laden shortenings, and sales fell nearly 3%.

Similarly, high-cholesterol cooking oils suffered a flat year. ☐

Baking Needs: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Sugar	**21.62**	**$1,011.37**	**$1,134.69**	**−10.86**	**16.81**	**$139.22**	**16**	**13.8**
Granulated	17.62	824.55	944.99	−12.74	11.84	98.12	7	11.9
Confectioners	1.49	69.56	70.92	− 1.91	1.86	15.37	2	22.1
Brown	1.87	87.45	92.19	− 5.13	2.40	19.85	4	22.7
All Other Sugar	0.64	29.81	26.59	12.11	0.71	5.87	3	19.7
Flour	**13.25**	**620.12**	**560.26**	**10.68**	**10.21**	**84.62**	**25**	**13.6**
White	8.92	417.39	386.51	7.99	5.99	49.67	14	11.9
Self-Rising	1.10	51.68	47.87	7.96	0.68	5.63	2	10.9
Cornmeal	1.74	81.49	69.15	17.85	1.94	16.05	5	19.7
All Other Flour	0.85	39.75	30.14	31.88	1.24	10.26	3	25.8
Unbleached	0.64	29.81	26.59	12.11	0.36	3.01	1	10.1
Oil & Shortening	**23.18**	**1,085.20**	**999.96**	**8.52**	**21.63**	**179.34**	**47**	**16.5**
Cooking & Salad Oils	19.02	890.42	799.61	11.36	19.12	158.49	42	17.8
Shortening	4.16	194.78	200.35	− 2.77	2.51	20.84	5	10.7
Baking Chocolate	**1.19**	**55.65**	42.55	**30.79**	**1.67**	**13.80**	**5**	**24.8**
Chips, All Flavors	**5.27**	**246.45**	225.17	**9.46**	**5.59**	**46.33**	**9**	**18.8**
Cocoa	**0.77**	**36.11**	32.89	**9.79**	**1.08**	**8.96**	**2**	**24.8**
Stuffing Mixes, Crumbs, Croutons, etc.	**5.56**	**260.37**	**218.08**	**19.39**	**7.29**	**60.41**	**34**	**23.2**
Coconut, All Types	**0.93**	**43.73**	40.78	**7.23**	**1.15**	**9.49**	**6**	**21.7**
Cake Frosting—Canned	**2.08**	**97.39**	72.69	**33.98**	**2.40**	**19.87**	**11**	**20.4**
Cornstarch	**0.25**	**11.93**	10.64	**12.12**	**0.30**	**2.46**	**1**	**20.6**
Cake & Cookie Decorations	**0.59**	**27.83**	21.28	**30.78**	**1.30**	**10.80**	**29**	**38.8**
Dry Yeast	**0.59**	**27.83**	30.14	**− 7.65**	**0.96**	**7.96**	**1**	**28.6**
Misc. Baking Needs	**2.04**	**95.40**	72.69	**31.24**	**2.65**	**21.94**	**13**	**23.0**
Cake Mixes	**9.35**	**437.26**	**361.68**	**20.90**	**10.93**	**90.62**	**57**	**20.7**
Angel Food	0.34	15.90	14.18	12.13	0.39	3.24	2	20.4
Chocolate & Devil's Food	2.51	117.27	97.51	20.26	3.04	25.21	14	21.5
Spice, Gingerbread, Applesauce	0.47	21.88	21.28	2.73	0.53	4.42	4	20.2
White	0.68	31.80	28.37	12.09	0.85	7.03	5	22.1
Yellow, Golden	2.04	95.40	74.46	28.12	2.21	18.32	7	19.2
All Other Cake Mixes	3.31	155.03	125.88	23.16	3.91	32.40	25	20.9
Other Mixes	**13.33**	**624.09**	**526.56**	**18.52**	**16.03**	**132.92**	**77**	**21.3**
Muffins, Sweet Breads/Rolls	2.46	115.28	92.19	25.05	3.20	26.51	14	23.0
Bread, Biscuits, Cornbread	2.46	115.28	104.61	10.20	2.20	18.21	12	15.8
Brownies, Cookies, Bars	3.78	176.89	145.38	21.67	4.80	39.80	19	22.5
Pancakes	1.91	89.44	74.46	20.12	2.50	20.75	12	23.2
Pie Crusts	0.64	29.81	31.91	− 6.57	0.83	6.89	4	23.1
Cake Frosting Mix	1.57	73.54	62.05	18.52	1.95	16.18	13	22.0
All Other Misc. Mixes	0.51	23.85	15.96	49.44	0.55	4.58	3	19.2
Total	**100.00**	**$4,680.74**	**$4,350.06**	**7.60**	**100.00**	**$828.73**	**333**	**17.7**

% of total store volume . . . 2.27%

NUTS

New varieties, fancy and unsalted, grab the spotlight, but the category as a whole fails to break out of its shell

Manufacturers shell out big bucks for peanut comeback

In the summer of 1980 a parched, dehydrated Mr. Goober started his lonely trek in the South, searching for water.

His cries went unheeded until September 1981. When he was finally rescued, his staunchest ally—Planters—made it a homecoming few will forget because Mr. Goober's return coincided with Planters' 75th anniversary.

But alas, its return was not enough to bolster an otherwise unimpressive year for the category; sales grew only 6.25%, to $804 million.

Nevertheless, Planters used diamonds, nostalgia, glass decanters, coupons and cash to trumpet the return of its best-selling hero.

Not only did diamonds prove to be a girl's best friend, but her luckiest as well. The company shelled out $250,000 in a size-matching Diamond Jubilee contest.

Another major promotion centered around Planter's old-time labels on the 16-oz. can of oil-roasted cocktail peanuts. Almost four million units were sold.

Coupons were also used to bring consumers back into the peanut fold. Thirty million 25¢ Thank-You-Pons were distributed.

As for cash—everyone's best friend—Planters invited consumers to play its matching-halves money game in June, with $100,000 in cash prizes.

Anyone who thinks the company's 1981 ad budget might have been bloated has another think coming: 1982's ad expenditures will be 50% higher.

Still, Planters did more than celebrate. In early April 1982, the company went no-salt with a 12½-oz. oil-roasted cocktail peanut, priced the same as 12-oz. salted—$1.99.

Interesting sidelight: When the regular 12-oz. container of salted cocktail peanuts went unsalted, consumers got ½ oz. more peanuts. Reason: peanuts replace the salt to make up the necessary volume.

No doubt about it, unsalted is becoming the crown prince of peanuts. Fisher Nut reports that sales of its 1-lb. unsalted jar has increased 60%—even with price increases—and is now the No. 7 seller in the line.

A new product by Fisher is peanut and raisins in an 8-oz. glass jar at $1.39. Says a Fisher spokesman, "These two products are the most popular items in trail mixes."

Last year's peanut crop, at 3.98 billion lb., was 73% larger than the drought-ridden year of 1980. An unusual aspect of the drought: Normally, production in one of the three

Nuts: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Packaged Nuts—Regular	**59.41**	**$477.87**	**$471.6**	**1.33**	**58.97**	**$134.97**	**40**	**28.2**
Peanuts	13.84	111.30	108.15	2.91	13.86	31.72	10	28.5
Walnuts	13.05	105.00	117.02	−10.26	13.03	29.82	6	28.4
Mixed Nuts	13.34	107.33	102.83	4.38	12.33	28.23	5	26.3
Pecans	6.92	55.65	39.01	42.66	7.03	16.08	6	28.9
Cashews	7.07	56.85	74.46	−23.64	6.56	15.01	6	26.4
Almonds	5.19	41.74	30.14	38.49	6.16	14.11	7	33.8
Loose Bulk Nuts	**1.69**	**13.61**	**19.50**	**−30.20**	**1.72**	**3.93**	**1**	**28.9**
Dry-Roasted Nuts	**22.92**	**184.35**	**157.79**	**16.83**	**22.85**	**52.28**	**12**	**28.4**
Peanuts	18.54	149.07	127.65	16.78	18.51	42.34	9	28.4
Cashews	2.16	17.39	15.96	8.96	1.95	4.47	1	25.7
Almonds	2.22	17.89	14.18	26.16	2.39	5.47	2	30.6
All Other Dry-Roasted Nuts	2.53	20.35	17.73	14.78	2.37	5.43	2	26.7
All Other Packaged Nuts	**13.45**	**108.20**	**90.42**	**19.66**	**14.09**	**32.24**	**14**	**29.8**
Total	**100.00**	**$804.38**	**$757.05**	**6.25**	**100.00**	**$228.86**	**69**	**28.5**

% of total store volume . . . 0.39%

PRICE LEADER

growing areas is off, but in 1980 all three suffered drastically—southern Virginia and northern North Carolina; Georgia, Florida and Alabama, and Oklahoma and Texas.

Mixed nuts: A funny thing happend to fancy mixed nuts on their way to the recession. Nothing. The mavens expected fancy mixed, selling at $5-$6 for a 12-oz. tin, to roll over and play dead. But fancy mixed is very much alive because there is more entertaining being done at home, and consumers are "indulging" in such gourmet niceties. Says a packer, "Fancy mixed are not really that expensive when you compare them to a pound of Godiva chocolates at $16.50."

One major packer reports that dollar volume of fancy mixed is up 13% compared to a year ago.

Walnuts: The 1981 crop tipped the scales at 224,100 tons—the largest in history. The old record was 207,000 tons in 1979.

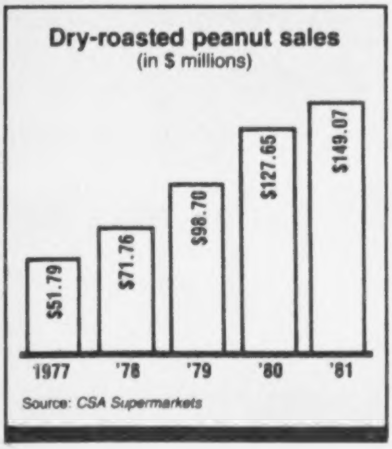
Last year's carryover crop, estimated at 37,000 tons, should pose no problem because increased exports to France, Germany, Spain and Italy are taking up the slack. The falling domino is France, whose failed crop enabled California walnuts to step up exports to Europe.

Prices of walnuts are inching up—7% more in the spring of 1981, plus 7% in April 1982—but domestic sales have remained good because the prices of other commodities also reflect increased costs.

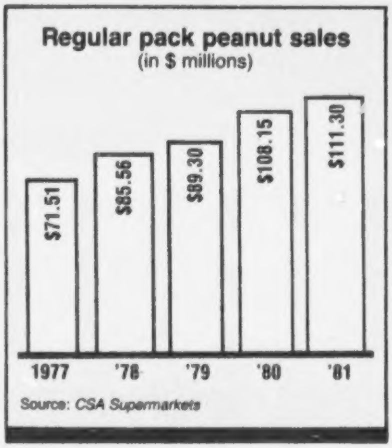
Last year, Sun-Diamond Growers test-marketed "Added Touch" in 2¼-oz. cello bags. Three different-size walnuts for three different kinds of use were featured. However, Added Touch was scratched as a marketing entry because, says a Sun-Diamond exec, "Retailers prefer a single supplier for all varieties in small-size cello bags."

Almonds: Another record crop—406 million shelled pounds. Early estimates of the 1982 crop is 360 million, or the third largest. The second biggest crop was 321 million shelled pounds in 1980.

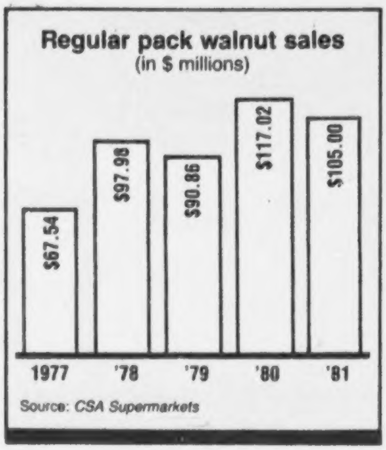
Sixty per cent of California almonds are exported. This year, however, exports are anemic because of foreign exchange rates. A firm United States dollar in contrast to foreign currency means that other countries must pay more for California almonds. This puts


Dry-roasted peanut sales
(in $ millions)

Source: *CSA Supermarkets*


Regular pack peanut sales
(in $ millions)

Source: *CSA Supermarkets*


Regular pack walnut sales
(in $ millions)

Source: *CSA Supermarkets*

California on a collision course with almonds grown in Spain and Italy. The only saving grace has been the superior quality of the California product.

Offsetting the slowdown in exports is the lower price of California almonds—10% to 15% below last year. Beefed-up advertising—35% more than in 1981—is helping, too.

For the first time in its history, the California Almond Exchange is splintering its almond exclusivity by adding dry-roasted pistachios, along with oil-roasted filberts, in the fall of 1982. The rationale: now that the Blue Diamond label is so renown, go for the one-buy concept to increase total tonnage.

The California Almond Exchange is also trying to move more product by extending its almond line. In the fall of 1981, the Exchange broke with two new dry-roasted almond items: hickory flavored dry roasted, and unsalted almonds.

Cashews: Two developments: (1) prices—now $4.29 to $5.95 for a 12-oz., tin—are coming down, and (2) cashew salters, on an end-around price-play, are promoting cashew halves and pieces at $2.50 for an 11-oz. tin.

The main reason prices will be down for the holidays is that the Russians are buying less from India, thereby freeing up more supplies for the West. Until this year, India sold two-thirds of its crop to Russia; now it's only one-half.

Brazils: The supply-and-demand syndrome is alive and well in brazils. The crop has decreased for three straight years—55,000 metric tons in 1979 to 40,000 in 1980 to 36,000 in 1981 to a forecasted 32,000 in 1982. Result: Prices have crept up. However, last year they doubled over the preceding year.

Filberts: Turkey still retains its dominance (300,000-400,000 tons per year) while Oregon filberts inch up a few thousand tons per year. Last year, Oregon filberts weighed in at 17,000 tons. In five years the Oregon crop will probably reach 25,000 tons.

Pistachios: How's this for a switch: An Iranian importer of pistachios, doing business in New York, has a family in Iran who grow pistachios. Yet the importer—Hadi Morshed of International Pistachio Exchange Corp.—exports California-grown pistachios to Iran.

Why? Consumers are demanding quality, and California pistachios are larger and, due to newer harvesting methods have fewer blemishes.

Rain at bloom time, as well as the alternate bearing qualities of pistachios (two good years usually followed by a poor one) reduced last year's crop of California pistachios to 14.1 million lb. That is 45% below the prior year's record crop.

The fledgling California pistachio industry started 11 years ago. Now there are 35,000 acres of trees with a total investment of $350 million.

The promotional arm of the industry—California Pistachio Commission—is emphasizing nutrition because pistachios are high in potassium and phosphorous. ☐

Unit Movement

The following chart shows each nut category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Packaged Nuts Regular	**218**	**58.93**
Peanuts	48	12.97
Walnuts	63	17.03
Mixed Nuts	33	8.92
Pecans	27	7.30
Cashews	19	5.14
Almonds	28	7.57
Loose Bulk Nuts	**2**	**0.54**
Dry Roasted Nuts	**81**	**21.88**
Peanuts	61	16.48
Walnuts	3	0.81
Mixed Nuts	4	1.08
Cashews	4	1.08
Almonds	9	2.43
All Other Dry Roasted Nuts	9	2.43
All Other Packaged Nuts	**60**	**16.22**
Total	**370**	**100.00**

Most retailers say success of this in-store department depends largely on ability to tailor mix to ethnic preferences

specialty cheeses

Is one service deli's provolone another's chopped herring?

Running an in-store deli is something like conquering Rubik's Cubes: While the elements are the same, the combinations are endless. Indeed, as one of the least standardized sections in the supermarket, it's not just what delis sell but how they sell it that differs from market to market.

Since regional preferences shape the character of this department throughout the nation, the success of any deli depends largely on a retailer's ability to tailor his food selection to a local ethnic mix.

"You can sell anybody anything," argues Harvey Cohen, vice president and director of deli operations at the 16-store MelMarkets Foodtown network in New York. "Italian cheeses sell big in Jewish areas; bagels and lox move well out West."

One of the reasons for this is that people may move but still yearn for familiar foods. Thus, when delis cater to where their shoppers come from, and not just to where they are, they are introducing new tastes to the majority of their market, the natives, which can help build sales.

"Americans are becoming more venturesome in their diets. The deli presents a world of foods that people are willing to try in small amounts," says a Midwestern supplier.

Customer contact at the deli, often spurred by displays of unusual foods, is one of the most important dimensions. "That contact can make or break a store," says Cohen.

Along with attractive merchandising is the latest twist in deli's evolution: aligning deli's image with that of the store. Grand Union's reformatted upscale stores, for instance, pepper their deli displays with attractive jars of olives and dried fruit, huge barrels of pickles and other impulse buys—all presented in a bountiful, appealing manner. They also stress clean, quality foods and use per-pound price markers on items where shoppers generally buy less.

In a different sort of tailoring, Randall's supermarkets in downtown Houston satisfy their lunch traffic with hot prepared foods; consequently, lunch is half the deli's business, with hot foods half of that.

Because of opportunities like these, delis—which generate roughly $7.16 billion in sales, or about 3.5% of store volume—have become increasingly important in supermarkets.

Today, 37.3% of the nation's supers have service delis, and 79% of new stores—the great majority of them superstores—include delis in their floor plans. That's a long stride from 10 years ago, when supers, pressed by escalating competition from fast-food chains, first turned to delis to corner their share of the convenience food market.

However, with prolonged high interest rates curtailing construction and expansion, some of the growth has been blunted for now. Nevertheless, smaller retailers as well are making room for delis within existing stores.

This trend, as well as the proliferation of other perishable service areas, is beginning to squeeze the deli case for space. While supers plan snack bars, cheese islands and other service areas around delis, they're also allocating deli case footage with a keener eye for the bottom line.

Deli foods kept in the case have to do better than hold their own, some experts say. And this doesn't exactly sit well with deli suppliers. "Consumers see deli foods as commodities, rarely knowing the brands they buy," says a major meat pro-

Deli: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)*	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Cheese	22.10	$1,581.29	—	—	24.03	$ 442.76	—	28.0
Hot Prepared Foods	10.70	765.60	—	—	5.40	99.53	—	13.0
Salads	11.30	808.54	—	—	12.29	226.39	—	28.0
Fresh & Smoked Fish	6.62	473.67	—	—	7.71	142.10	—	30.0
Meat	39.00	2,790.52	—	—	39.39	725.54	—	26.0
Kosher Meat	10.28	735.55	—	—	11.18	205.95	—	28.0
Total	100.00	$7,155.17	$6,433.52	11.20	100.00	$1,842.27	—	25.7

% of total store volume . . . 3.48%

*Not tracked prior to 1981

cessor. "Delis may stock only one pepperoni, maybe two hard salamis, and that leaves little room for brand assortment."

Although varied regional mixes may differ markedly, the picture that emerges, on a national basis, shows meats providing nearly half of deli sales, cheeses almost a quarter, and hot prepared dishes, salads and fish making up the rest. For the most part, their relative contributions to deli aren't expected to change much in the next few years either.

Cheese is the fastest-growing segment, with delis now snaring about one-third, or $1.58 billion, of its burgeoning supermarket volume. Staples like cheddar, Swiss, Muenster, American and Jarlsberg are the biggest sellers, but the proliferation of imports and other specialty cheeses is providing the greatest portion of segment growth.

Imports now rate a rapidly expanding 9% of supermarket cheese business, mostly through delis where their share is somewhat larger. Despite their increasing popularity, many retailers balk at their relatively short shelf life.

To overcome this, foreign cheesemakers such as Besnier are opening United States plants to speed up distribution; they say this tactic adds four weeks to in-store shelf life. Meanwhile, United States cheese companies are riding a strong growth curve that's directed toward a tripling of supermarket cheese volume by 1990.

TURKEY BREAST
2.99
IRISH BLARNEY CHEESE
2.99 lb
CHEDDAR CHEESE
2.58 lb
PECORI ROMA CHEES

Meats draw an estimated 49.28%, or $3.53 billion, of deli volume. Ham attracts about 40% of this traffic, about double bologna's share, while salami, pepperoni and luncheon meats draw somewhat less. Kosher and kosher-style meats are becoming increasingly popular because shoppers think of them as good party foods and suppliers have stepped up promotional activity.

Other processed meats appearing to gain fans on the West Coast are poultry-type products, such as turkey-ham and turkey franks, that give the taste of red meat at lower cost.

Hot prepared foods: Paced by an upsurge in barbecued chickens, hot prepared foods are becoming increasingly important in delis across most of the country. Currently drawing an estimated $765.6 million, or 10.7% of deli sales, retailers do brisk lunch and dinner trades in working areas, often selling breads, beverages and desserts at the same time.

Despite their attraction, many retailers can't emphasize this segment because of substantial space needs for equipment. Those who do, however, find that lasagne, macaroni and cheese, salisbury steak, meatballs, stuffed peppers and varied barbecued items lead sales.

Salads: Aside from local flavorings, salads may be among the most widely accepted deli foods. Led by potato salad, coleslaw and macaroni salad, the segment's $808.54 million in sales comprise 11.3% of deli volume. ☐

Major brewers push capacity to maximum levels as demand soars; imports, too, make strong strides

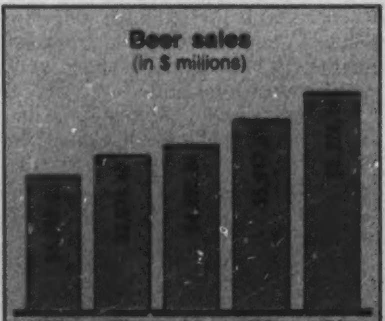
Beer sales barrel ahead

If the sluggish economy caused retailers to sweat a little last year, at least they got some refreshing news from the beer aisle. Reflecting America's growing love affair with the heady brew, shoppers poured $5.72 billion into supermarket tills in '81, over 14% more than 80's $5.02 billion. Profits rose at an even faster clip, 15.4%, to $1.48 billion.

Coming off a 2.7% gain (to 182.8 million barrels) in the amount of beer Americans drank last year, industry analysts remain high on beer's growth. Although 81's gallonage hike pales slightly when compared with larger annual gains of the past decade, the drink's prolonged growth curve shows no signs of abating.

Beer, which recently passed milk to become the nation's third most popular beverage, is quickly honing in on coffee's No. 2 spot. The upswing in home entertainment is further boosting industry confidence that gallonage will rise an estimated 2%-3% through 1990.

Much of that growth is expected to come from the 10 best-selling brands: Anheuser-Busch's Budweiser (20.6% market share), Miller's High Life (12.2%) and Lite (9.0%), Coors (6%), Pabst (5%), Michelob (4.6%), Schlitz (3.1%), Heileman's Old Style (3%), Stroh (3%) and Schlitz's Old Milwaukee (2.7%), as measured by John Maxwell, analyst at Lehman Brothers Kuhn Loeb and *Beverage Industry.*



Beer sales
(in $ millions)

Source: CSA Supermarkets

Looking to tap substantial profits, retailers are taking advantage of brisk sales activity: Several Hughes Markets in southern California and ShopRites in New Jersey, for example, format their liquor departments around beer because of its draw; 26 turns a year and high margins (25.8%) mean barrels of dollars for supermarket bottom lines.

Elsewhere, stores frequently discount and endcap beer, and cross-merchandise it with high-impulse snack and deli foods. Because the brew is bought on impulse more than half the time, aggressive promos are often used to multiply sales; at a St. Louis-based Shop 'N Save warehouse store, for instance, 1,000 cases of Anheuser-Busch sold in just two weeks when displayed around an A-B racing car.

Anticipating continued dominance in a vigorous market, industry leader A-B upped its production capacity in '81 by 10.8% to an estimated 60 million barrels, as did No. 2 Miller, by 7% to about 43 million barrels. Projections are that by year-end '82, A-B and Miller will be sharing roughly two-thirds of major brewer capacity. Already, the leaders share nearly 52% of total sales.

However, as the big two threaten to usurp the rest of the big seven—Schlitz, Heileman, Pabst, Coors and Stroh—a monumental clash of the titans is taking shape.

Pabst's pending merger with No. 8 Olympia would elevate its new entity's market share to 10.6% and provide it with extra marketing muscle and promotional power. Similarly, Schlitz's just completed merger with Stroh places its new entity's share at 12.8%, with a sizable customer base to build from.

From such aggressiveness, the hallmark of fierce interbrand competition, the big seven have already corralled 86.9% of the nation's beer sales. Clearly, they are pulling further ahead of the pack, and will likely widen their margins through the 80's, as most smaller brewers experience gallonage slides.

A-B's industry share is an estimated 29.8%, Miller 22%, Schlitz 7.8%, Heileman 7.7%, Pabst 7.4%, Coors 7.2% and Stroh 5.0%, says

Beer & Wine: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Beer	91.43	$5,724.14	$5,017.51	14.08	87.50	$1,476.83	12	25.8
Wine	8.57	536.64	443.24	21.07	12.50	210.90	237	39.3
Total	100.00	$6,260.78	$5,460.75	14.65	100.00	$1,687.73	249	27.0

% of total store volume . . . 3.04%

Maxwell.

Despite the strength of the majors, growing bands of small regional brewers are proving that comfortable niches can be found in selected United States markets. They include Newman Brewery in Albany, N.Y., New Albion in Sonoma, Calif., and Boulder Brewing in Boulder, Colo.

Imports: But if major brewers are finding formidable competition from any corner, it's in the burgeoning sales strength of imports. With more loyal lager lovers than ever before, brews from abroad now grab 2.8% of the United States beer market—representing an annual growth rate of 39% since 1975.

Further, it's estimated that imports may hold a near 5% industry share by 1990. Heineken, the nation's only nationally distributed import, is leading the onslaught. Hiking its ad budget 20% in '82, importer Van Munching anticipates a 10% gallonage increase for the brand this year.

However, Molson, Dos Equis, Labatt, Becks and Moosehead are also strong in United States markets. Together, they'll provide the bulk of a projected 25% import sales increase this year.

Super-premiums: Showing continued spunk, high-margin superpremiums continued a growth pattern that has already doubled its share of United States beer sales since 1975 to 7%. Propelled by image-conscious drinkers willing to pay more for strong-tasting, upscale brews, Michelob retained its lock as the segment leader. Miller's Special Reserve, however, may become a factor when introduced nationally, perhaps later this year.

At the same time, popular beers stalled their lengthy decline at the 15% share level as economy-minded drinkers traded down from premiums and superpremiums. As a result of the segment's renewed strength, Schlitz's Old Milwaukee poked into the top 10, displacing Olympia.

Lights: Meanwhile, light beers continued their breakneck growth, doubling their '77 share of the United States market to 14%. Miller Lite provided virtually all the expansion, with its 23% volume climb. While Miller Lite is kingpin of the lo-cal segment, new brands—foremost among them Bud Light, with its $35 million ad campaign—will try to knock it down. Pabst is currently testing its Jacob Best Premium Light, and Schlitz recently brought out its reformulated Light to help wage the fight.

Premiums, the kings of beers, still account for over 60% of the nation's beer consumption, and tally seven entries among the top 10—Budweiser, Miller, Coors, Pabst, Schlitz, Old Style and Stroh.

Wine: The sales performance of wines was anything but light in 1981, rising 21% to $537 million, or roughly 54% of the United States market. That share would undoubtedly be larger if more states allowed wine sales in supermarkets.

Supers selling wines, however, are becoming more aggressive, as retailers catch the waves of the wine boom and the trend to more home entertainment. A new Safeway Bon Appétit, for one, donates about one-third of its space to a service wine and liquor department carrying vintage varieties.

People are now drinking table wines three times more often than all other wines, and *Impact*, an alcoholic beverage newsletter, predicts their 75% share will rise to 90% by 1990. Domestics capture over three-quarters of this market, of which California wines account for nearly 7 of every 10 gal.

Whites expanded their share to 57% of the table wine market, while red slipped to 25% and rosé to 18%.

The only imports gaining ground last year were from Italy, primarily in its Lambrusco-style wines, and France, which rebounded strongly from a long dry spell. ☐

After taking careful aim at nutrition-conscious consumers, dried fruits, vegetables are beginning to enjoy plump sales

New wrinkle gives prune image long-overdue face lift

For many years prunes have been the Rodney Dangerfield of dried fruit—they got no respect. Consumers snickered when prunes were mentioned because they viewed the product as nature's helper for the aged.

But when "natural" and "nutrition" became integral parts of the American diet, the image began to fade. The prune industry lost no time in extolling the nutritional pluses—vitamin A, iron, potassium, niacin, no-fat, low-salt. At the same time, the industry retargeted its market to women 25-49 with children, and since the fall of 1980, it has beamed its "plump, moist and snacking good" theme to 20 of the top 25 TV markets.

The results have been dramatic: a 22% sales increase in those 20 markets, thereby helping make prunes the fastest-growing dried fruit.

An ample crop has helped, too: 160,000 tons in 1981, following 168,000 tons in 1980. This compares with an annual average of 140,000-150,000 tons in prior years.

Prices increased 5% in 1980 and another 8% in 1981, but that hasn't affected sales because some packaged goods have increased even more.

The biggest growth in the category is pitted, currently accounting for 46.2% of sales. This compares with 38.1% in 1976. The bell ringer for pitted is convenience—both as a snack and ingredient.

The trend in packaging has been to the transparent bag. In 1976, the visible bag (12 oz. and 24 oz.) accounted for 38% of the total prune pack; in 1982, it's 45%.

Another chapter in the packaging revolution is being written by foil bags—and they're not confined to prunes. While prunes are packaged in 12-oz. foil bags, a complete line of other dried fruit is in 6-oz.-8-oz. units. Foil bags are scoring on two fronts: more impulse sales and longer shelf life.

The twin winners of prune's resurgence, "natural" and "nutritional," are having a strong impact on the entire dried fruit spectrum.

Raisins: Raisins are also riding the return to nature train. The California Raisin Advisory Board is spending $7.5 million annually promoting "Nature's Candy."

Based on the swift rise of natural

Dried Fruit: 1981 Performance—$2 Million Supermarkets

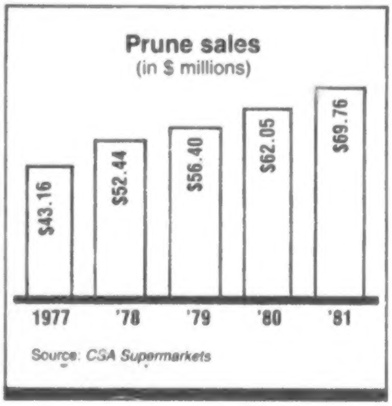
	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Raisins	**64.16**	**$226.58**	**$202.12**	**12.10**	**65.69**	**$60.95**	**11**	**26.9**
Prunes	**19.76**	**69.76**	**62.05**	**12.43**	**18.28**	**16.96**	**6**	**24.3**
Regular	11.17	39.44	35.46	11.22	10.24	9.50	3	24.1
Pitted & Other	8.59	30.32	26.59	14.03	8.04	7.46	3	24.6
Apricots	**3.79**	**13.38**	**12.41**	**7.82**	**3.76**	**3.49**	**1**	**26.1**
Dates	**4.49**	**15.84**	**14.18**	**11.71**	**4.32**	**4.01**	**2**	**25.3**
All Other Dried Fruits	**7.80**	**27.54**	**21.28**	**29.42**	**7.95**	**7.38**	**5**	**26.8**
Total	**100.00**	**$353.10**	**$312.04**	**13.16**	**100.00**	**$92.80**	**25**	**26.3**

% of total store volume . . . 0.17%

Dried Vegetables: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Rice & Rice Dishes	**59.53**	**$437.15**	**$392.91**	**11.26**	**57.59**	**$101.97**	**42**	**23.3**
Regular	28.06	206.10	186.16	10.71	26.77	47.40	14	23.0
Instant	12.26	90.00	86.88	3.59	10.78	19.08	4	21.2
Brown	3.97	29.17	26.69	9.29	4.68	8.28	4	28.4
Flavored	13.56	99.54	82.54	20.60	13.77	24.39	19	24.5
Wild Rice	1.68	12.34	10.64	15.98	1.59	2.81	1	22.8
Instant Potatoes	**20.54**	**150.81**	**122.34**	**23.27**	**20.30**	**35.95**	**19**	**23.8**
Mashed	8.36	61.37	53.19	15.38	8.18	14.48	8	23.6
All Other Instant Potatoes	12.18	89.44	69.15	29.34	12.12	21.47	11	24.0
Beans	**14.32**	**105.15**	**99.29**	**5.90**	**14.91**	**26.39**	**11**	**25.1**
Peas	**2.44**	**17.89**	**14.18**	**26.16**	**3.06**	**5.42**	**3**	**30.3**
Lentils	**1.08**	**7.95**	**7.09**	**12.13**	**1.93**	**3.42**	**1**	**43.0**
All Other Dried Vegetables	**2.09**	**15.31**	**14.15**	**8.20**	**2.21**	**3.92**	**2**	**25.6**
Total	**100.00**	**$734.26**	**$649.96**	**12.97**	**100.00**	**$177.07**	**78**	**24.1**

% of total store volume . . . 0.36%


Prune sales
(in $ millions)

Source: *CSA Supermarkets*

snacks, it is logical to assume that the small packages of raisins (½ oz.-1½ oz.) would be the pacesetters. Not so. Sales from September 1981 to March 1982, show that snack packs increased their tonnage 3%, whereas bagged (15 oz., 1½ lb. and 2 lb.) rose 4%.

What's really significant is that sales of all types of packages—cartons, bags and snack packs—have increased.

Apricots: Supply is normal (5,000 tons with little carry-over), but prices have increased 30% during the past two years, pushing the 6-oz. bag to $2.29. One packer explains, "Surprisingly, sales have held up fairly well. I think it's because apricots are regarded as a special treat whose flavor can't be duplicated by any other fruit."

Dates: Hot, dry weather has slashed domestic production in half, and the Iran-Iraq war has done the same for imported Sayre dates. It's no surprise, then, that prices are up 40% over the last two years.

Figs: New plantings are relegating the shortages of the early 1970's to an historical footnote. More calimyrnas are being planted because of their increasing popularity.

Rice: The rice bowl is overflowing. The 1981 United States crop (185 million cwt.) was the largest in history. Even though the United States grows only 2% of the world's rice, it exports 70% of it to 110 countries—thus becoming the world's largest exporter.

Still, there is plenty for United States households, and per capita annual consumption has risen from 6.5 lb. in 1974 to more than 9 lb. today.

Rice is no longer being promoted only as a potato substitute, but as a source of vitamin B, low in fiber and fat and without cholesterol—and it's only 82 calories for a half-cup of cooked white.

The fastest-growing segment is brown rice—especially on the West Coast, which consumes 44% of brown sold in the United States even though it accounts for only 2.2% of the total market.

Beef and chicken still account for 50% of the rice mix volume. As a category, flavored has found a responsive home among those convenience-oriented consumers who want variety in their menu at a below-$1 price.

Instant potatoes: When the price of fresh potatoes goes up, the sale of instant goes up, too. Thus, when the short potato crop of 1980-81 pushed fresh to 30¢ a pound, instant sales zoomed. However, since July 1981, when fresh prices declined to 20¢ a pound, instant sales have tapered.

Dried beans: They called it the Mexican Connection. As a result of a drought in Mexico three years ago, Mexico wanted to buy seven million bags of United States pinto beans—but that was the total United States production.

Since then United States growers have stepped up their plantings in anticipation of high Mexican demand for pintos, pinks and blacks. Last year, for example, growers planted twice the normal acres of pintos (12 million cwt., vs. six million cwt.) and 1,200,000 bags of black beans (normal is 200,000 lb.).

Result: Demand fell far short of supply, and in this surplus market, retail prices dropped 25%.

Instead of promoting to sell more (beans are nature's most complete vegetable protein), growers are storing surplus stock. They're betting that higher prices, brought on by a smaller crop or weather damage, will offset the increased storage costs. ☐

In-store bakeshops batter commercial sales; but by jumping on the nutritional bandwagon, white bread holds on

In a mixed year, white bread is poised for a rebound

Despite rumblings of good news on the white bread front, and some genuinely positive reports on the performance of specialty and variety breads, 1981 was a decidedly mixed year for bakery foods.

Sales of $6.7 billion in 1981 represented only a 5.3% increase over the previous year, dashing hopes that 1980's solid 12% sales rise was a precursor of better days following a flat year in 1979.

Yet by no means is all the news woeful.

Sales of white bread, still the largest subcategory, reversed a decline that averaged between 5% and 9% annually since the mid-1970's. Paradoxically, white bread manufacturers achieved this change in fortune by joining the nutritional bandwagon that catapulted their nemeses, variety and specialty breads, squarely into the bakery fore.

Signs of a revival in white bread sales started surfacing in 1980. Last year, report a number of retailers and manufacturers, sales began stabilizing. In fact, in California, that trend-setting state where health foods are more deeply entrenched than perhaps anywhere in the nation, one leading national manufacturer told *Chain Store Age* that white bread sales actually *increased* in 1981.

"Yes," agrees Robert Eller of the Kansas City-based Interstate Brands, "the downward trend has been arrested.

"And I'll tell you how we've been able to do it," he explains. "The [baking] industry is emphasizing the angle that white bread is nutritious, and we've directed our advertising toward that. And both retailers and manufacturers are pushing it hard with special deals and aggressive promotions. We've been able to turn white bread sales around by keeping interest there."

A typical example of this new approach, in response to the consumer-driven change toward food perceived as more nutritional, is the tact by the makers of Wonder Bread. They've introduced whole grain lines of breads and reformulated products without artificial preservatives.

And with a strong ally waiting in the wings, the fortunes of white bread may continue to look bright. After eight years of bureaucratic jousting and political wrangling, the Wheat Industry Council is on the verge of final Governmental approval.

A WIC spokesman is confident the organization will come into official existence this summer, kicking off their ambitious educational and advertising program with a $750,000 budget.

Composed of representatives from the baking industry, flour millers, wheat growers and consumer groups, the thrust of the WIC's efforts will be to reach consumers and health professionals with the message that white bread and other wheat-based products meet the recently released dietary guidelines set up by the U.S.D.A. and the Department of Health and Human

Bakery Foods: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Bakery Foods	**100.00**	**$6,737.79**	**$6,400.42**	**5.27**	**100.00**	**$1,381.25**	**0**	**20.5**
Total	**100.00**	**$6,737.79**	**$6,400.42**	**5.27**	**100.00**	**$1,381.25**	**0**	**20.5**

% of total store volume . . . 3.27%

Services.

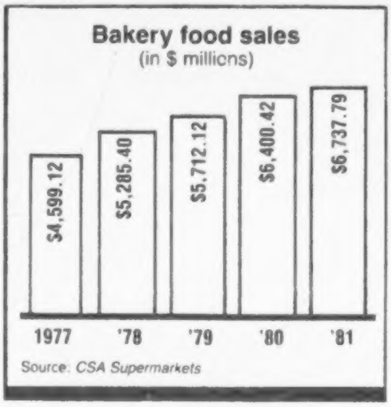
"The timing couldn't be better for the industry to have this kind of program now," says C. Joan Reynolds, executive director of the council. "Through radio shows, TV advertising and educating health professionals, we're trying for immediate visibility. Our research shows that people want some kind of outside permission to eat wheat-based products. Through the information we have, our goal is to give the consumer that permission."

Another development, which came as a surprise to some, is that last year's heightened white bread sales came in higher-margin private label and national brands rather than generics.

"With the tough economic times, a lot of people expected generic breads to be the main thrust in the category," says one supplier, echoing the sentiments of others. "The retailers who are pushing them are doing well. But overall, there have been more efforts to make the private label and national brands price-competitive, and the result is that generics as a whole really went downhill last year."

Unquestionably, white bread still faces a struggle. A pricewise strategy by name-brand makers to fend off generics and generate volume takes a heavy toll on sales. And white bread, for all the efforts by manufacturers to reposition it as a "healthy" product, has yet to shed its "junk food" image.

Two more cards are stacked against white bread in the retailing battleground: variety and specialty breads, which have touched a responsive chord in the American public. And in-store bakeries are fast becoming fixtures in the contemporary supermarket, gobbling up sales of packaged bread that traditionally moved off self-service bakery department shelves.


Bakery food sales
(in $ millions)

Source: *CSA Supermarkets*

Variety bread sales have been increasing at 10% to 15% annually in the last couple of years, and the growth shows no signs of abating.

Paradoxically, the higher price of many variety breads actually makes them *more* attractive in these recessionary times. Consumers are eating out less; variety breads are an element of trading down from a restaurant while maintaining an upscale lifestyle.

Part of the fallout of this trend is the estimated 10% growth in specialty breads, such as cakes, doughnuts and sweet rolls.

"There's a new interest in these products," says Interstate's Eller. "We've had an 180-degree turnaround on sweet goods. The items in this area are being packaged better and promoted better throughout the industry. There's more variety and more of the natural ingredients' bit—you know, like fruit pies with real fruit." Eller says his stellar performer in 1981 was carrot cake, a new introduction that turned in sales far above expectations.

Among variety breads, another great growth area has been in whole wheat products. For example, Eller points to expanding lines of Interstate's breads, such as Country Hearth and Dutch.

The California-based Oroweat Co. also represents an operation that's riding this success wave. Says spokesman George Nichols, "It's a phenomenally growing category, with 'natural' products, vs. 'health' products, having the biggest increases." He reports that among the hottest items are French bread and rye bread, with French rolls' sales up over 80% in the Southeast.

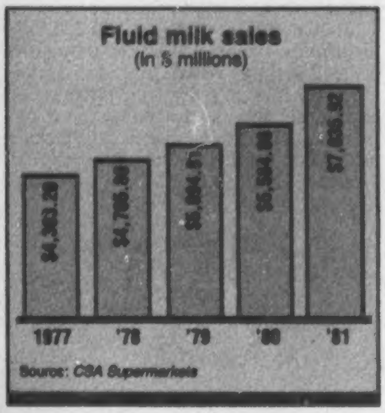
Up-and-coming: Hovering on the sidelines are a pair of items that once would have been thought too specialized to have across-the-board appeal but are being watched very closely: the croissant and the bagel. Once purely the province of the urban deli crowd, the latter is getting strong attention from retailers thanks to the efforts of such companies as Lender's, which is expanding nationwide.

Meanwhile, the area of greatest uncertainty in the bakery foods category concerns the emphasis on commercial bakery items vs. items sold in in-store bakeries. Unquestionably, in-store shops have exploded on the retailing scene; since 1972, the number has grown from 2,000 nationwide to over 11,000.

This growth lies behind much of commercial bakeries' basically mediocre showing in 1981. Manufacturers stress, however, that while in-store bakeries have an undeniable appeal to the retailer, they are extremely labor-intensive.

And, as Eller of Interstate emphasizes, "The strength of in-store bakeries is that they can produce unique items. If they keep their products unique, they're going to sell their share. But if they try to emulate commercial bakeries, they're going to get in trouble. The main thing is that the two operations are compatible. If you throw out a commercial bakery to support an in-store bakery, what you'll do is suffer on total profits." ☐

It was a banner year for dairy despite the fact that cheese was spread out over the case and the counter



Source: CSA Supermarkets

. . . and the deli ran away with the cheese

Don't blame the dairy case for an apparently poor performance in '81. Supermarkets' strong merchandising of cheese—traditionally the dairy case's second highest volume contributor—is being shared with other sections of the store. Consequently, deli counters, service cheese centers and freestanding islands now grab one-third of the exploding $4 billion-plus supermarket cheese business.

The result: Cheese's contribution to dairy case sales slipped nearly 3% to $3.26 billion, causing dairy department sales to rise only a modest 11% to $22.48 billion in '81.

Even at this level, cheese remains the No. 2 kingpin in the dairy case, bringing in nearly $1 billion in department profits. Fluid milk products, by far the category leader, account for roughly $1.5 billion in profits on $7.04 billion in sales, 26% higher than in 1980.

On a product by product basis, almost the entire dairy category has been marked by steady growth, with no signs of abating.

As long as Americans remain weight-conscious, low-fat milk is expected to continue its strong trend of a 25% annual increase in per capita sales since the mid-1950's. Low-fat gallons now account for three of every 10 sold at retail, according to the Milk Industry Foundation.

Yogurt explosion: The sizzling yogurt market, which grew 20% to $504 million in sales last year, will continue growing at a 15.5% annual rate through this decade, the U.S. Bureau of Commerce projects. Such rapid growth is coming from new product introductions and heavy consumer promotions; in just a year and a half of aggressive merchandising, French-style yogurts now own a 20% share of a rapidly expanding market. Traditional sundae- and Swiss-style yogurts are holding 80% of a market that is expected to double in size within four years.

Sour cream is also getting hot because it's used in preparing Mexican dishes, which are becoming increasingly popular. West Coast sales increases of nearly 9% raised national volume an estimated 6%, and growth is expected to continue.

Ice cream sales are steaming ahead as well, up almost 15% to $2.64 billion in '81 and expected to nearly triple by 1990. Weight-conscious consumers appear willing to buy luxury brands such as Haagen-Dazs, Alpen Zauber and Frusen Gladje despite the markedly higher prices.

Not all dairy items are riding this wave of growth. Cottage cheese volume slipped 5% to $765 million, with low-fat's approximate 12% share the only apparent growth sector. Its competitive pricing and appeal to body-conscious shoppers positions it head-to-head against yogurt—and that's strong competition. Cottage cheese production may fall as much as 20% by the end of the decade, the U.S. Department of Agriculture predicts.

Eggs up: Egg sales rose just 7.3% to $3.1 billion in '81, partly the result of lower production causing higher prices per dozen (90.7¢ at retail vs. 84.6¢ in '80). This curtailed per capita demand from 272 to 264, according to U.S.D.A. This year, egg prices may rise about 5¢ per dozen because of a 2% production drop, which is expected to dampen demand further.

Currently, several West Coast and Michigan retailers are experimenting with shrink-wrapped 18-egg packs to boost volume and offer extra convenience.

Butter and margarine: Wide price differences between butter

Dairy Products: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Fluid Milk Products	31.29	$ 7,035.92	$ 5,584.86	25.98	27.65	$1,491.62	9	21.2
Yogurt	2.29	504.02	419.99*	20.01	2.38	125.50	40	24.9
Eggs	13.79	3,100.58	2,889.94	7.29	10.69	576.71	0	18.6
Cheese**	14.51	3,261.57	3,352.69	– 2.71	17.90	965.43	156	29.6
Ice Cream	11.76	2,643.44	2,304.86	14.69	13.97	753.36	60	28.5
Margarine	5.21	1,170.67	1,308.45	– 10.52	5.66	305.55	40	26.1
Butter	4.51	1,013.65	921.94	9.95	3.33	179.42	11	17.7
Refrigerated Juices & Drinks	5.09	1,145.08	1,004.46	14.00	4.92	265.66	22	23.2
Refrigerated Dough Products	2.04	459.12	349.28	31.45	2.28	123.04	42	26.8
Refrigerated Salads	0.04	7.95	15.00	– 46.99	0.07	3.75	1	47.2
Fish & Fish Snacks	0.47	105.34	60.28	74.75	0.61	33.08	17	31.4
Toppings	0.29	65.59	60.28	8.81	0.36	19.15	5	29.2
Pizza	0.06	13.91	0.00	0.00	0.04	2.13	1	15.3
Yeast	0.39	67.58	17.73	281.16	0.30	16.15	2	23.9
Party Snacks	0.87	194.78	109.20	78.37	1.16	62.52	35	32.1
Cottage Cheese	3.40	764.75	805.00*	– 4.99	4.20	226.37	23	29.6
All Other Dairy Case Items	4.21	927.01	881.44	5.17	4.60	244.80	27	26.4
Total	100.00	$22,480.96	$20,182.84	11.39	100.00	$5,394.24	491	24.0

% of total store volume . . . 10.92%

*Revised 1980 figure

**Does not reflect cheese sold through deli section

and margarine brands continue to fuel margarine tonnage gains at the expense of butter. A drop in margarine sales to $1.17 billion in '81 apparently reflects a "pass-along savings from the 20% fall in the cost of soya and flat corn oil prices," says a Hotel Bar Foods spokesman.

In addition, aggressive discounting and promotions keep margarine a strong mover, albeit at low prices. New butter/margarine blends, selling at about $1.59/lb. at retail, are expected to attract a 5% share of the $2.2 billion category within a year. Blend users are expected to be primarily butter consumers looking to save money.

Pizza sales spiced up the dairy case in '81, becoming a $14 million contributor in just one year. Refrigerated dough products grew 31%, fish snacks 75%, party snacks 78%, toppings 9% and yeast sales nearly tripled during the year. Conversely, refrigerated salads showed a large sales decline, no doubt due to in-store delis sharing a greater share of the category.

Juices: Refrigerated juices and drinks advanced 14% to nearly $1.15 billion, slightly better than last year's 12% gain. This came partly from a winter freeze in Florida that brought higher prices but didn't quench demand. ☐

Canned & Dry Milk: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Canned Milk	**48.77**	**$210.00**	**$191.90**	**9.43**	**37.73**	**$21.19**	**7**	**10.1**
Evaporated	38.77	166.94	156.02	7.00	24.08	13.52	6	8.1
Condensed	10.00	43.06	35.88	20.01	13.65	7.67	1	17.8
Dry Milk	**44.31**	**190.81**	**182.62**	**4.48**	**55.42**	**31.13**	**10**	**16.3**
Plain	41.54	178.88	171.98	4.01	50.32	28.26	9	15.8
Flavored	2.77	11.93	10.64	12.12	5.10	2.86	1	24.0
All Other Canned & Dry Milk	**6.92**	**29.81**	**21.28**	**40.08**	**6.85**	**3.85**	**3**	**12.9**
Total	**100.00**	**$430.62**	**$395.80**	**8.80**	**100.00**	**$56.16**	**20**	**13.0**

% of total store volume . . . 0.21%

Millions are earmarked for campaigns aimed at reversing lean sales. Will retailers heed the call, too?

KOHL'S FISH COVE
KOHL'S
SERVICE
MEATS
FOODS

Hungry meat producers turn to promos to beef up sales

By now it's a familiar tale. Americans are changing their eating habits. They're noticing nutrition, concerned about cholesterol, combating calories and frightened of fat. They're eating lighter. And they're watching their pocketbooks while they're at it.

While this translates into good news for such departments as produce, pasta, dairy and seafood, it's bad news for the meat case. After watching the antimeat trend develop over the past few years, alarmed industry groups are finally moving to do something about it.

Producers of pork, lamb and beef are turning to advertising and promotions to stem the tide of alternative eating. Perhaps the only product featured in the meat case that isn't the centerpiece of such a campaign is fowl; the chicken and turkey market hasn't been as negatively affected by these trends because shoppers perceive the birds as healthful, low-calorie and relatively inexpensive.

But other meat items haven't been doing as well as producers had hoped. Thus, red meat associations are fielding intense promotional efforts.

Pork: The National Pork Producers Council is mounting a campaign around the "America you're leaning on pork" theme. According to Russ Saunders, promotion director, the campaign is based on consumer attitude research. "About 40% of the people in this country are low or nonusers of pork," he explains. "The biggest problem pork has is it's perceived to be high in fat, cholesterol and calories. People think it has twice as much fat as beef. Actually, it has less."

To combat this image, the NPPC has earmarked $4 million to attract new users to pork. The intensive campaign will include television ads—both over-the-air and cable—as well as network radio and consumer magazines like *Weight Watchers*.

On the retailer end, the NPPC is emphasizing merchandising the meat department, working more closely with retailers to develop a greater sophistication in displaying pork, says Saunders.

The NPPC is particularly seeking more case space for pork. According to a NPPC-sponsored study, pork has been allotted an average 2.2 ft. more space this year than it was in 1979, which translates to a 1.0% increase in share of the meat counter. That 1.0% represents a smaller gain than pork made in share of market, says the NPPC, and it believes the product deserves more room.

"The potential is completely untapped," claims Saunders. "Most supermarkets carry seven-10 items. They could have upward of 20."

The middle part of the country is strongest in pork consumption, says Saunders, while the Western and Eastern quarters—particularly the Northeast—are relatively weak.

Lamb producers are also trying to entice new users into the flock. The American Lamb Council is focusing its efforts on the "Experience Fresh American Lamb" slogan.

"We're trying to reach the lifestyle leaders," says John Morrison, director of the Lamb Group of the American Sheep Producers Council. "We're after the younger, more

Meat: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Meat	100.00	$35,485.35	$33,247.47	6.73	100.00	$7,274.50	312	20.5
Total	100.00	$34,485.35	$33,247.47	6.73	100.00	$7,274.50	312	20.5

% of total store volume . . . 17.23%

affluent consumer."

The emphasis is on recipe development, says Morrison, to convince shoppers "that lamb is not a mystery meat." The campaign includes new point-of-purchase material as well as radio and magazine ads.

In shooting for the upscale shopper, ads are being placed in such publications as the *New York Times Magazine*. The sophisticated presentation of a particular cut on a white plate, flanked by white ceramic vegetables, is designed to make the meat "jump out from the page," according to Morrison.

Meanwhile, the New Zealand Lamb Company is continuing its heavy advertising and promotional activities. A total of $1.5 million is budgeted this year for those activities, with the goal of positioning New Zealand lamb as an everyday meat purchase.

Stressing value and ease of preparation, the campaign features radio, magazine and newspaper advertising. Recipe booklets, including one geared to barbecue cooking and several geared to Spanish-speaking shoppers, are being offered, as well as couponing, refunds, and in-store sampling.

All this effort is geared to continuing the trend started in 1980, when consumption of lamb went to 1.5 lb. from 1.3 lb. in 1979.

But the biggest spender in the meat promotion sweepstakes is the biggest seller— beef.

Beef: The Beef Industry Council of The Meat Board is spending a whopping $7 million in hopes of turning around the slump in beef consumption. According to the U.S. Department of Agriculture, beef consumption hit a 15-year low of 105.6 lb. per person in 1980. The trend has been downward since 1976.

1.49
SPECIAL

The consumer merchandising program is pegged to the theme "Somehow, Nothing Satisfies Like Beef." The year-long national campaign was kicked off on April 12. It's backed by commercials on national network TV, plus spot commercials in 22 major cities. There's also extensive advertising in consumer magazines like *Good Housekeeping* and *Women's Day*.

The sales promotion effort also involves working more closely with retailers. To coincide with the first flight of TV advertising, retailers were offered a set of posters. For the second flight, which began June 14, a set of recipe cards that attach to the price rail was added.

According to the Beef Industry Council's Jim Olson, this is the most extensive campaign mounted to date. In the past, the budget was limited, and most efforts were regional.

"Then, in June 1980, the Council commissioned a survey of cattle producers that revealed cattlemen wanted more aggressive promotions, were willing to fund them and wanted them conducted through existing organizations," says Olson. "That gave us the impetus to proceed."

The effort may help halt the swing away from beef. Even within the meat case, beef is losing out: Between 1970 and 1980, its share dipped from 61.0% to 57.3%, with pork picking up the difference.

The other big news that may affect beef sales is the proposed changes in the beef grading system, which is under review by the U.S. Department of Agriculture. The current proposal, which would lower existing grades, has become the subject of hot debate.

It's opposed by some members of the industry on the basis that it would cause consumers to feel less sure of the quality of the beef they purchase and thus contribute even more to beef's downslide. Alternate proposals have been made, including one by Stop & Shop to establish a U.S.D.A. lean grade that would combine the lower third of the current Choice grade with the current Good grade.

No action has been taken as yet.

Profits are raining cats and dogs thanks to aggressive marketing of everything from pup chips to soft drinks

Rash of new introductions helps collar record volume

Pet-product sales continued to surge last year, and—from doggie drinks to reflecting flea collars and seemingly everything in between—so did new product introductions in the volatile category.

There were a few signals that pet food producers, facing economy-conscious consumers and stiff competition from generics and private labels, were preparing to pull in their horns and concentrate on their existing product lines. But there was no full-fledged retreat by any means. Top officials at industry leader Ralston-Purina, for instance, declared they would continue aggressively pushing new products if the items had "meaningful differences" from existing ones.

Whether or not they did, new items continued to flow from virtually every producer and manufacturer in the pet products industry. General Foods started marketing its long-time leader Gravy Train in a can in addition to the traditional dry-mix format. Hartz Mountain premiered a collar that not only promised to kill fleas for up to five months but reflect automobile headlights up to 450 ft. away. Star-Kist of "Charlie the Tuna" fame—and also the maker of 9-Lives products—came out with a new premium cat food called Amore. Superior Pet Products pushed a line of pet pretzels and pup chips. Purina unveiled a cat-litter deodorizer, a new company named Rosebrand Products set out on a quest to sell a nutritious soft drink for dogs called Juicee Treat—and the list went on and on and on.

It took real effort on the part of supermarketers to keep up with it all. But the rewards were tangible indeed. The category posted a more-than-solid 20.4% jump in sales to a staggering $4.8 billion. Putting even more shine into the gleam already present in food retailers' eyes was the fact that average gross margins ran from a respectable 20% on canned dog food to 36% on snack items to a breathtaking 51% on premium-type pet foods.

In the food sector, the watchwords continued for the second year to be "dry" and "big." It is in this area that generics and private labels keep advancing as inflation-strapped shoppers attempt to trim down the bottom figure on their cash-register tapes.

"Dry has been picking up in growth," admits a marketing executive at a leading canned-food company. "It's partly due to generics. Most of the generic movement is in dry."

The top-selling line of dry food in the 25-lb. category, he adds, is generic.

But larger sizes are also popular in the canned-food category, where many producers are attempting to concentrate their product introductions.

"The 23 ½-oz. can has been growing for the past three years," says an Alpo executive. "We perceive a lot of people are buying bigger dogs for protection."

The Alpo exec, whose brand has been a leader for years, voices confidence in the future of canned foods. The market is "good for continued growth," he says, for both dog food and premium-type cat food packed in cans.

Part of the appeal of premium canned foods to shoppers is an emotional one. Says an official at Star-Kist of the company's new Amore cat food, "It's geared to cat owners who love cats to such an extent they are willing to buy something above regular. It's more than cat food—it's

Pet Products: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dog Food Canned	**16.81**	**$ 800.98**	**$ 691.46**	**15.84**	**15.73**	**$ 171.23**	**62**	**21.4**
1 lb. & Under	13.14	626.08	530.12	18.10	11.91	129.60	53	20.7
Over 1 lb.	3.67	174.90	161.34	8.40	3.82	41.63	9	23.8
Dog Food Semi-Moist	**6.92**	**329.93**	**301.41**	**9.46**	**6.02**	**65.47**	**26**	**19.8**
Packaged—Under 2 lb.	1.46	69.56	53.19	30.78	1.28	13.91	7	20.0
Packaged—2 lb. & Over	5.46	260.37	248.22	4.89	4.74	51.55	19	19.8
Dog Food Dry	**24.90**	**1,186.57**	**991.09**	**19.72**	**20.76**	**225.92**	**64**	**19.0**
Under 10 lb.	8.72	415.40	356.37	16.56	7.37	80.17	25	19.3
10 lb. & Over	16.18	771.17	634.72	21.50	13.39	145.75	39	18.9
Cat Food	**35.69**	**1,701.34**	**1,345.68**	**26.43**	**33.98**	**369.93**	**128**	**21.7**
Canned	22.43	1,069.30	824.43	29.70	21.80	237.38	81	22.2
Dry	9.97	475.02	400.69	18.55	8.86	96.43	31	20.3
Semi-Moist	3.29	157.02	120.56	30.24	3.32	36.12	16	23.0
Dog/Cat Candy & Specialties	**6.76**	**321.98**	**262.40**	**22.71**	**8.37**	**91.12**	**44**	**28.3**
Bird Food	**1.71**	**81.49**	**69.15**	**17.85**	**2.75**	**29.99**	**12**	**36.8**
Pet Non-Food Items	**6.67**	**318.01**	**274.81**	**15.72**	**11.16**	**121.48**	**81**	**38.2**
All Other Pet Food	**0.54**	**25.84**	**23.05**	**12.10**	**1.23**	**13.39**	**11**	**51.8**
Total	**100.00**	**$4,766.14**	**$3,959.05**	**20.39**	**100.00**	**$1,088.52**	**428**	**22.8**

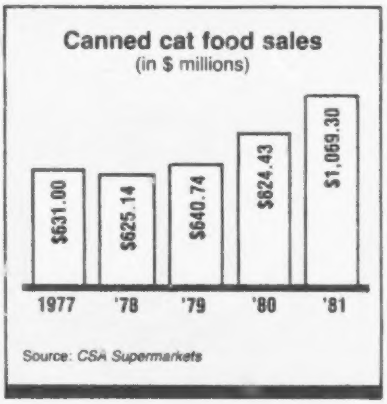
% of total store volume . . . 2.31%

love." The new item's name, not coincidentally, means "love" in Italian.

Snacks and treats: Some of that urge to express emotion through purchases also appears to be rubbing off on the pet snacks-and-treats category, which is staging a comeback after several stagnant years. Manufacturers say that pet owners want to shower nearly as many goodies on their furry charges as they do on their children, but new product development and marketing has helped as well. The treats include Superior Pet's poker-style chips and pretzels, Alpo's 30%-real-beef Beef Bite Treats, Star-Kist's Jerky Treats and Nabisco's traditional Milk Bone biscuits, which are now marketed in a 4-lb. size, too.

Accessories: Pet nonfoods felt the bite of recession last year and racked up less impressive gains than the food items. But the increases were real nonetheless as sales rose nearly 16%, and both manufacturers and supermarketers point to margins in the 40% range as one reason for their attractiveness to retailers.

The category remains essentially a two-horse race, with Hartz Mountain still in the No. 1 position and A. H. Robins' Sergeants line a feisty second. A number of regional manufacturers bring up the rear.



Canned cat food sales
(in $ millions)

Source: *CSA Supermarkets*

"If we're No. 1, it's because we're about 10 times more aggressive than anyone else," says an executive at Hartz Mountain. The firm's new reflecting flea collar is proof positive, he says, and, backed by a $12 million national advertising campaign, the collar has become the "hottest item" in its field.

But Sergeants isn't about to be taken for granted. Its strengths lie in the research and development that lead to new products, says Jack Steele, national sales manager for pet products at A. H. Robins, and new products are winners.

"No matter how good No. 1 is, you can't satisfy the needs of all consumers if you don't have all the products," he says. "You can do better even if you're doing well; you could increase sales 30% with no more invested in inventory."

Both men say supers are capable of improving store sales in nonfood items for pets, if the products are merchandised properly.

One less glamorous segment of the pet products sector also is a hot mover. The item, cat litter, is as indispensable to supermarketers as it is to owners of cats because it can account for 15%-20% of all pet-related sales, manufacturers say. At the same time, it accounts for less than 5% of the department's shelf space if handled well, they add.

"Supermarketers are not really aware of the increased usage of litter, and the category is very susceptible to out-of-stocks," says Glenn Hansel of Lowe's Inc., maker of Tidy Cat litter. "That's our biggest problem."

The biggest problem with litter for cat owners, on the other hand, is odor. And, for Lowe's and other firms, that is where the development and marketing dollars are going right now. ☐

Manufacturers are betting that adults will bite; all it takes are bigger bars, new packaging and repositioned ads

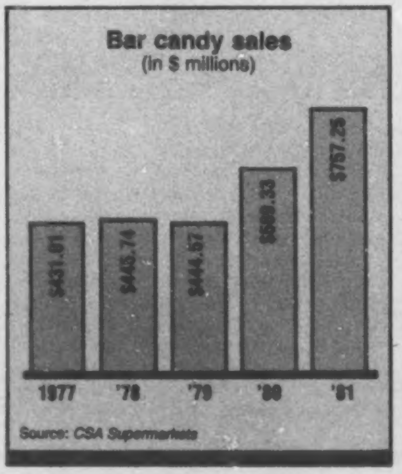
Who says candy's just for kids?

Over the last decade or so, the candy industry has been faced with a steady downward spiral in the amount of confections Americans eat each year. Per capita consumption dropped from some 20 lb. in 1968 to about 15 lb. in 1980. How to keep sales up in the face of this negative trend? Expand the market.

Traditionally, candy has been directed mainly at children. But with the bulge in the over-30 population, marketers found themselves facing a sizable, largely untapped market. The only problem was fine-tuning products to this group's specific wants.

It seems candy makers may have finally found the magic adult formula. One part of it is size. Apparently, grown-up candy eaters just aren't satisfied with the traditionally sized bar. Manufacturers, in response, are now vying to meet adult customers' needs for a large-size treat.

Hershey Food pioneered the territory with its Big Block line. The bars are variations on regular Hershey items, specifically formulated for a thicker bar. When they were first introduced, Big Blocks weighed about 2 oz. each, but the size was upped this year to 2.2 oz. without a wholesale price increase.



Source: CSA Supermarkets

Hershey spokeswoman Deb Ryerson says the five-item line has caused a market expansion without cutting into existing sales. "It's not a substitute," she says, adding that Hershey officials believe "the introduction has added consumers to the confectionary market."

But several competitors are trying to eat into Hershey's market. One is Cadbury, which introduced its Thick milk chocolate bar this January. Weighing 1.85 oz., it is being produced on a brand-new, $5 million production line. An extensive ad campaign stresses Thick's creamy texture as well as its size.

Nestlé, determined not to be left out of the big-bar sweepstakes, rolled out Big Crunch, a 1.8 oz. version of its big-selling Crunch bar, this May. The new item sports packaging identical to its little brother's, but with the addition of a red-and-white banner proclaiming "big." The company promises heavy advertising and promotions including displays and refund offers.

According to Nestlé's Marie-Claude Stockl, the company "very definitely" sees a trend to jumbo-size bars. "The gap between the 50¢ bars and the smaller bars is narrowing," she says, suggesting the bigger bars "might be favored by adults because of size and price."

Another possible direction for those hunting for the elusive adult market may be an emphasis on quality. For instance, Hershey is taking the high road with its Golden Almonds bar, an upscale version of its traditional almond bar—with a price tag to match.

Although Golden Almond, which is available in 1-lb. and 2-lb. boxes as well as single bars, was originally designed only for specialty stores, Ryerson says "response was so positive we enlarged the distribution." Hershey's hope is shoppers will sample the individual bar and move up to the boxes.

Repositioning pays off: In hard candies, perhaps the biggest news has been Tic Tac's turnaround. Ten years ago, it swooped in to grab some 12% of the hard candy and mint market. But competition and the waning of its fad status caused

Candy & Gum: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Holiday Specials	**5.26**	**$ 147.08**	**$ 106.38**	**38.26**	**5.87**	**$ 52.07**	**70**	**35.4**
Bar Candies	**27.11**	**757.25**	**589.33**	**28.49**	**24.82**	**220.35**	**92**	**29.1**
Large Sizes	5.12	143.10	129.43	10.56	4.79	42.50	14	29.7
Chocolate, Multi-Packs	10.04	280.24	219.85	27.47	8.58	76.23	33	27.2
Chocolate, Singles	2.99	83.48	54.96	51.89	3.10	27.55	18	33.0
Other Bars, Multi-Packs	6.97	194.78	159.57	22.07	6.19	54.93	18	28.2
Other Bars, Singles	1.99	55.65	25.52	118.06	2.16	19.14	9	34.4
Gum	**19.01**	**531.52**	**435.29**	**22.11**	**22.55**	**200.08**	**84**	**37.6**
Regular	7.61	212.67	156.51	35.88	8.87	78.69	36	37.0
Sugarless	5.47	153.04	122.62	24.81	6.47	57.39	29	37.5
Bubble Gum	5.93	165.81	156.16	6.18	7.21	64.00	19	38.6
Hard Candies	**6.83**	**190.81**	**157.80**	**20.92**	**7.47**	**66.34**	**59**	**34.8**
Roll Candies	2.13	59.63	46.10	29.35	2.61	23.20	14	38.9
Lollipops	1.00	27.83	28.37	– 1.89	1.08	9.57	9	34.4
All Other Hard Candies	2.28	63.60	46.10	37.96	2.23	19.78	21	31.1
Cough Drops	1.42	39.75	37.23	6.77	1.55	13.79	15	34.7
Peanut Candies	**3.70**	**103.35**	**92.19**	**12.11**	**3.44**	**30.49**	**13**	**29.5**
Plain & Coated, All-Chocolate	**9.59**	**268.32**	**203.89**	**31.60**	**8.51**	**75.53**	**27**	**28.1**
Plain	4.76	133.17	115.24	15.56	4.28	37.95	13	28.5
Coated	4.83	135.15	88.65	52.45	4.23	37.57	14	27.8
All Other Chocolate-Coated Candies	3.41	95.40	83.33	14.48	3.13	27.76	16	29.1
Candy Mints	**4.48**	**125.22**	**117.02**	**7.01**	**4.37**	**38.82**	**28**	**31.0**
Breath Mints	**2.77**	**77.51**	**63.83**	**21.43**	**3.36**	**29.84**	**17**	**38.5**
Caramel, Taffy, Molasses, Fudge, etc.	**3.13**	**87.45**	**79.78**	**9.61**	**2.95**	**26.15**	**18**	**29.9**
Jellies	**2.70**	**75.53**	**54.96**	**37.43**	**2.44**	**21.68**	**17**	**28.7**
Licorice	**1.21**	**33.79**	**28.37**	**19.10**	**1.17**	**10.41**	**9**	**30.8**
Marshmallows & Marshmallow Candy	**1.99**	**55.65**	**46.10**	**20.72**	**1.61**	**14.30**	**7**	**25.7**
Popcorn Candy & Popcorn Kernels	**5.33**	**149.07**	**118.79**	**25.49**	**4.75**	**42.19**	**14**	**28.3**
All Other Candies	**3.48**	**97.39**	**76.24**	**27.74**	**3.56**	**31.55**	**28**	**32.4**
Total	**100.00**	**$2,795.34**	**$2,253.30**	**24.06**	**100.00**	**$887.54**	**499**	**31.8**

% of total store volume . . . 1.36%

its share to drop to about 2%.

The solution decided upon was to reposition the product to appeal to the adult market. Tic Tacs were repackaged to include calorie information, and ads pointed out that each Tic Tac contains fewer calories than similar products. Three flavors that primarily appealed to children were dropped from the line.

The result: Market share, to date, has risen to 6%, proving that careful advertising and packaging can save even a severely faltering product.

Gum: Gum sales continue to be flat, but category leader Wrigley looks to stir up some action this year.

The company is taking just the opposite approach of the adult-oriented candy makers with its new gum, Tidal Wave. It's hoping to attract children to the new product, which combines a liquid center with a bubble gum.

Liquid centers were generally considered to have peaked a few years back, and Wrigley itself had pulled two such items from test markets after disappointing results. But it had taken a breath-freshener approach with those items, and Tidal Wave will go for the kids' market with the help of the bubble gum addition.

Wrigley hopes to grab some 10% of the bubble gum market with Tidal Wave. Although the company has a 44% share of the overall gum market, it yields the No. 1 spot to Nabisco Brands when it comes to bubble gum. Wrigley has been jostling Nabisco Brands' Bubble Yum, which was the first soft bubble gum, with its Hubba Bubba. Although the product has been successful—Wrigley is just adding a fifth flavor, raspberry, to the line—Bubble Yum has managed to hold on as the leader.

The Wrigley gum will face competition from Warner-Lambert, whose Chewels and Freshen-Up are leaders in the liquid-center market. Punch 'n Juicy, its bubble gum/liquid center combination, will go head-to-head with Tidal Wave. ☐

Cereal makers intensify market share battle armed with old standbys and some newcomers to the breakfast table

Super
Powdered Donutz Cereal
Powdered Donutz Cereal
Super
Honey Nut Cheerios
Honey Nut Cheerios
TREAT-PAK
WHEATIES

New entries, FTC ruling rouse sales to $3 billion

Last year was not an ordinary one for breakfast cereals. In unplanned orchestration, Reaganomics, Mother Nature, a Federal Trade Commission ruling, the flip side of the baby boom and the changing impact of natural foods all combined to fuel a 26% dollar volume increase worth over $3 billion in total retail sales.

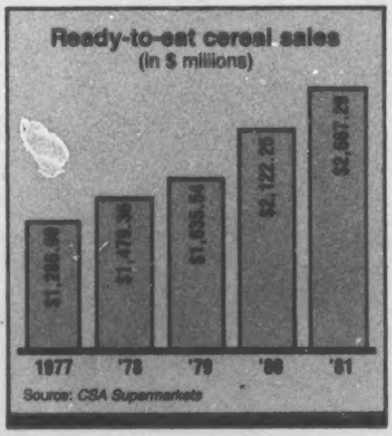
So far the President's economic program has succeeded only in replacing inflation with recession, but paradoxically, this has made cereals an economically attractive alternative to other more expensive morning meals. "Hard times are good for our products," reasons one cereal company executive.

To make the most of this bad-means-good situation, the cereal companies are locked in a highly competitive battle for market share.

The fodder for this fight are new entries that, backed by lavish advertising campaigns, buffet the marketplace in a seemingly never-ending stream. One superstore retailer estimates there are often as many as 150 different varieties on his shelves at any given time.

Kellogg still holds the No. 1 slot, but it's feeling the pressure. The Battle Creek, Mich., breakfast foods behemoth has seen its 42% market share of five years ago erode to 38% today.

To stem the tide, Kellogg has gone after the natural foods eaters, but only with mixed success. It may turn out that natural foods will be breakfast foods' hula-hoop.



Source: CSA Supermarkets

In the early 1970's, explains one manufacturer, natural cereals exploded on the scene, sending volume skyrocketing. In one year, total tonnage was up well over 15%. But today natural cereals account for only about 4% of all sales, down from a high of 10%.

Undaunted, Kellogg went after that market in a big way last year with the introduction of its four-variety Nutri-Grain line. Though early results were promising—a heavy promotional budget helped—by year-end the company had dropped two of the varieties and is reportedly watching the others closely.

Kellogg, however, remains a powerful force in the category with the ongoing success of Corn Flakes and the introductions of Banana Frosted Flakes and Apple Frosted Mini Wheats. The company is expected to continue to back these products and other new entries with sustained advertising support.

The No. 2 cereal maker is General Mills, with about a 25% market share, which represents a two-point climb in 1981. It was able to achieve this growth through the continued success of Cheerios, which, according to a company official, is the category's leader in dollar volume, and through the solid performance of Honey Nut Cheerios, which came on the market in 1979.

One company that has sidestepped General Mills' ascension and been able to capitalize on Kellogg's slippage is Ralston. Since 1979, Ralston has gained nearly two points in market share to bring its total to six.

Despite the overall slide in natural foods, Ralston's line of Chex cereals has benefited from consumers' desire to add fiber to their diets. Ralston is also a major manufacturer of generic and private label cereals, which are showing increased strength.

Particularly noteworthy is Ralston's strong showing with its new introduction for children, Cookie Crisps. Its success represents the revitalization of the pre-

Breakfast Cereals: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Ready-to-Eat Cereals	**88.82**	**$2,667.29**	**$2,122.25**	**25.68**	**88.46**	**$482.59**	**138**	**18.1**
Combo Packs	2.12	63.60	49.64	28.12	2.12	11.58	4	18.2
Sweetened	25.42	763.22	631.18	20.92	25.05	136.62	42	17.9
Hi-Protein	9.79	294.16	265.95	10.61	10.08	55.01	12	18.7
Corn Flakes	4.70	141.12	117.02	20.59	4.27	23.29	6	16.5
Wheat Flakes	4.04	121.24	90.42	34.09	3.96	21.58	6	17.8
Bran & Wheat Germ	14.76	443.22	381.19	16.27	14.54	79.34	21	17.9
Puffed Rice, Wheat, Oats	4.76	143.10	120.56	18.70	4.72	25.76	8	18.0
Cold Oats	5.82	174.90	127.65	37.02	5.19	28.33	5	16.2
Shredded	5.63	168.94	115.24	46.60	5.70	31.09	5	18.4
All Other Ready-to-Eat Cereals	6.55	196.77	124.11	58.54	6.96	37.98	13	19.3
Natural Cereals	5.23	157.02	99.29	58.14	5.87	32.03	16	20.4
Hot Cereals	**11.18**	**335.89**	**265.95**	**26.30**	**11.54**	**62.92**	**28**	**18.7**
Oats	6.95	208.69	163.11	27.94	6.81	37.15	14	17.8
Wheat [Incl. Farina]	2.52	75.53	56.74	33.12	2.80	15.26	8	20.2
Hominy Grits	0.99	29.81	23.05	29.33	1.10	5.99	3	20.1
All Other Hot Cereals	0.46	13.91	15.96	−12.83	0.53	2.91	2	20.9
Kasha & Barley	0.26	7.95	7.09	12.13	0.30	1.61	1	20.3
Total	**100.00**	**$3,003.18**	**$2,388.20**	**25.75**	**100.00**	**$545.50**	**166**	**18.2**

% of total store volume . . . 1.46%

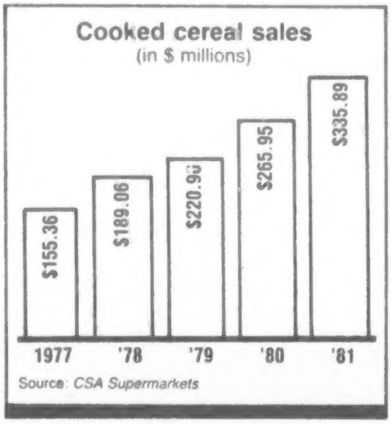
adolescent cereal market. Sweetened cereals, a bellwether of this market, showed a sales increase of over 20% in 1981, which manufacturers say is true volume growth.

Behind this trend is the maturation of that bulge in the demographic population curve, the baby boom generation, which is producing a new legion of cereal-chomping boomlets.

To illustrate: Between 1970 and 1980 the number of children between 5 and 9 decreased by more than 16%, and the number of children under 5 dropped nearly 5%. Between 1980 and 1990, however, the number of children between 5 and 9 is expected to climb some 18%; and the number of children under 5 should increase over 20%.

Quaker Oats is another company feeling its, uh, oats lately. In the last decade, its market share grew from 6% to a high of 9% in 1980. That figure has slipped back a couple of points because a new, highly touted entry that went after the growing children's market didn't succeed—not yet, anyway.

Halfsies was Quaker's attempt to cash in on the antisugar sentiment that has grown among consumers, particularly among parents who want to reduce their children's intake of what's been described in some quarters as "the white death." The product failed to titillate enough palates in the sandbox set, however, and an industry source believes Halfsies' poor showing is behind Quaker's two-point slip in market share last year.



Source: *CSA Supermarkets*

But Quaker is not about to give up. "Halfsies is back in a different form," explains company spokesman Ron Bottrell. "Aspartame, a new sugar substitute, has been added to increase the sweetness level, but it still has half the calories of most cereals. It's the first ready-to-eat cereal on the market with aspartame. We're confident in the new taste, and after test-marketing we hope to roll it out in 14 midwestern states this summer," he adds.

The No. 3 cereal maker is General Foods, which owns a 15% market share, representing a slight drop from 1980.

The decline, say observers, is because in the past General Foods has been a little shy about entering the revolving door of new introductions in the category. Between 1975 and 1981, for example, the company cereal division introduced only one new product, C. W. Post, which ultimately failed to live up to expectations.

But since the end of last year, General Foods brought out around a half-dozen new entries, including fast-starting Grape Nuts and Raisins. Company executives believe their downturn has been reversed, and armed with an arsenal of new items, they're setting their sights on overtaking General Mills' No. 2 spot in the market.

All this jostling may only be the overture to a full-length no-holds-barred drama in a battle for market share. Early in 1982, the Federal

Breakfast Additives/Pastries: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Toaster Pastry	**9.32**	**$ 59.62**	**$ 58.51**	**1.90**	**9.50**	**$ 13.61**	**10**	**22.8**
Regular [Unfrosted]	3.42	21.86	23.05	− 5.15	3.54	5.07	4	23.2
All Other Toaster Pastry	5.90	37.76	35.46	6.49	5.96	8.53	6	22.6
Breakfast Additives	**68.63**	**439.25**	**379.42**	**15.77**	**67.63**	**96.84**	**46**	**22.0**
Instant Breakfast [Liquid & Mixes]	10.56	67.58	56.74	19.10	10.15	14.53	8	21.5
Milk Additive—Dry	9.94	63.60	56.74	12.09	8.22	11.77	6	18.5
Milk Additive—Syrup	5.59	35.78	40.78	− 12.25	4.90	7.01	3	19.6
Cocoa & Cocoa Mixes	37.88	242.48	198.57	22.11	39.45	56.50	26	23.3
Ovaltine & Postum	4.66	29.81	26.59	12.11	4.91	7.04	3	23.6
Instant Breakfast [Solid]	**22.05**	**141.12**	**95.74**	**47.40**	**22.87**	**32.74**	**17**	**23.2**
Total	**100.00**	**$639.99**	**$533.67**	**19.92**	**100.00**	**$143.19**	**73**	**22.4**

% of total store volume . . . 0.31%

Trade Commission dropped its 10-year antitrust suit against General Mills, General Foods and Kellogg.

The suit charged that since the three together controlled some 80% of industry sales, prices were artificially high and competition was stifled.

Besides draining valuable executive time and energy, fighting the suit cost the companies millions of dollars in legal fees and other expenses. With the antitrust onus gone, competition in the already cat-and-dog cereal market is expected to get even fiercer.

Hot cereals: For hot cereal manufacturers such as Quaker, last year will be remembered for the long, record-breaking bitter winter. While Mother Nature's icy tantrums sent an unkind chill across the nation, in the same frosty breath She heated up sales in this subcategory.

Consumers' desire to greet last year's frigid winter mornings with a hot, economical dish prompted a dollar sales rise of over 26%. And, unlike 1980's 20% growth, this year's dollar climb represents increased consumption, not primarily a reflection of price hikes.

Natural foods may have languished in ready-to-eat cereals, but the big winner in hot cereals was wheat, with a sales increase of 33.1%. Other strong entries were oats, up 27.9%, and hominy grits, recording an increase of 29.3%.

Granola bars: Natural is also the password into what is unquestionably the hottest breakfast foods subcategory: granola bars (classified as solid instant breakfast in *Chain Store Age Supermarkets* data analysis).

In 1981, sales rose 47.4%, but even that impressive gain doesn't begin to tell the whole story.

No more than six years ago, these products didn't even exist. Today, they're worth some $141 million in total annual sales and growing, with no end in sight. According to SAMI, in April 1981 granola bar sales were $91 million annually. By November of last year, the annual sales pace hit $139 million, and it ended up finishing even higher.

In fact, consumer demand was so high in 1981 that after Quaker Oats introduced its four-flavor line last year, it had to pull it out of East Coast markets because it couldn't keep up supplies.

One of the pioneers of granola bars was Sunfield Foods with its Crunchola line. Tom Studer, director of marketing, believes that the subcategory's growth is coming at the expense of cookies, candies and other cereals. "The products have tremendous appeal because they're not like most snacks, which are perceived as junk," he explains. "Consumers simply feel they're better for them."

Studer backs up his analysis by pointing out that compared to most candies, granola bars have as much as 40% less sugar and, ounce for ounce, far fewer calories.

Naturally, this booming segment, which showed 52% volume growth last year, is attracting a good deal of attention.

Along with Quaker's bell-ringing entrance to the market, General Mills added Granola Clusters to its already successful Nature Valley Granola Bars. General Mills is also in the midst of test-marketing new flavors.

And to spruce up sales in this sky-rocketing market, manufacturers are expected to spend an estimated $35 million in advertising and promotion in the coming year. ☐

A new breed of consumer is looking to stay slim and *healthy; low-sodium items could be the hottest on their list*

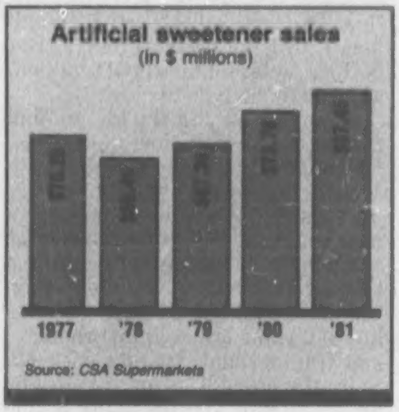
Half of America pounds away

Losing weight. With 1 out of every 2 people in the country estimated to be on a diet at any given time, shedding unwanted pounds may well be on its way to becoming more American than baseball, apple pie and Mom herself. (Well, maybe not baseball.)

In large part, this growing national passion helped forge last year's 16.2% sales increase in the diet and lo-cal category. Also fueling this trend, and with the potential to spark even further category growth is a related and subtle metamorphosis currently taking place in America's eating habits.

Manufacturers in this $700-million-plus category are increasingly directing their efforts not only to the consumer who wants to lose excess, unhealthy weight, but also to consumers who want to control their diet today as a preventive medical measure.

It's important to note, however, that the 16% sales increase, representing roughly $100 million, actually masks even greater growth in the category. In many instances, such as with canned fruit, the success of diet and lo-cal foods has led to a proliferation of new items that are merchandised outside the traditional diet/lo-cal section.



Source: CSA Supermarkets

Moreover, the growing desire by consumers to eat foods they perceive as healthier has led to the introduction of many "natural" and "light" products. Both represent dietary-related sales that are lost in data collection—but not on the bottom line.

It's worth noting, too, that both of these terms are without legal definition, which has caused some customer confusion in the marketplace. For example, one manufacturer contends there is a cake mix on the market "that makes no lo-cal claim whatsoever as permitted by the F.D.A., but [its manufacturer] hangs the word 'light' on it. To the unsuspecting consumer who feels 'light' is synonymous with reduced calories, it's misleading."

Canned fruit is one of the numerous success stories in the category, generating $77 million in sales for an increase of almost 34% in 1981, following on the heels of a 20% climb in 1980.

Behind this bright showing is the performance of fruits packed in natural juices vs. the traditional sugary syrups. The leading items are from companies like Dole, Del Monte and Diet Delight. Dole in particular, with its two-year-old line of Fruits in Juice, enjoyed a strong year in 1981, with the sales momentum carrying over to this year.

Despite these results, several industry observers believe some canners have not had the degree of success that was expected with their light can lines. "There was really only a modest advertising and marketing effort," says one critic. "There's a feeling among a lot of people that the canners said, 'We'll make it [light fruits] available, and if consumers buy it, great; if not, we'll sell them the other product.' "

Dietetic candy was also among last year's winners. As John Beers, executive vice president of market leader Estee, explains, "There's been excellent growth in sugar-free candies. The reason is we're attracting people from the broad, general marketplace who are now consuming candies traditionally consumed only by people who had to follow medically directed diets."

Another strong subcategory in 1981 was sauces and dressings. Overall, sales were up 20%, but that figure is slightly misleading because the two are counted together, and while sauces had a respectable year, dressings had a great one. Manufacturers are saying that sales of dressings rose by as much as 30%-40%.

The fuel for this growth has been line expansion, bringing diet-conscious consumers, not medically directed ones, low-calorie/low-sodium options that once were available

Dietetic & Low-Calorie Foods: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Supplements	**9.07**	**$ 63.60**	**$ 47.79**	**33.08**	**9.08**	**$ 16.38**	**19**	**25.8**
Liquid	4.25	29.81	28.37	5.08	3.90	7.04	11	23.6
Powdered	1.42	9.94	5.32	86.84	1.26	2.27	3	22.8
All Other Diet Supplements	3.40	23.85	14.10	69.15	3.92	7.08	5	29.7
Artificial Sweeteners & Sugar Substitutes	**12.46**	**87.45**	**79.78**	**9.61**	**12.45**	**22.48**	**13**	**25.7**
Salt Substitutes & Low Sodium Salt	**1.70**	**11.93**	**7.09**	**68.27**	**1.75**	**3.15**	**4**	**26.4**
Candy & Gum	**2.55**	**17.89**	**9.01**	**98.56**	**3.60**	**6.49**	**6**	**36.3**
Cookies & Crackers	**4.82**	**33.79**	**36.25**	**– 6.78**	**4.27**	**7.70**	**5**	**22.8**
Desserts & Toppings	**3.12**	**21.86**	**19.50**	**12.10**	**2.92**	**5.27**	**8**	**24.1**
Spreads & Syrups	**7.65**	**53.66**	**67.37**	**–20.34**	**7.16**	**12.93**	**7**	**24.1**
Sauces & Dressings	**9.06**	**63.60**	**53.19**	**19.57**	**8.56**	**15.46**	**12**	**24.3**
Dinners [Not Supplements]	**14.73**	**103.35**	**97.51**	**5.99**	**16.95**	**30.59**	**10**	**29.6**
Fish & Meats	**1.13**	**7.95**	**5.32**	**49.44**	**0.79**	**1.43**	**1**	**18.0**
Vegetables	**0.57**	**3.98**	**3.55**	**12.11**	**0.63**	**1.14**	**4**	**28.7**
Fruits	**11.05**	**77.51**	**58.51**	**32.47**	**10.56**	**19.07**	**20**	**24.6**
Juices & Drinks	**19.26**	**135.15**	**101.06**	**33.73**	**18.12**	**32.71**	**7**	**24.2**
All Other Low-Calorie Products	**2.83**	**19.88**	**17.73**	**12.13**	**3.16**	**5.71**	**3**	**28.7**
Total	**100.00**	**$701.60**	**$603.66**	**16.22**	**100.00**	**$180.51**	**119**	**25.7**

% of total store volume . . . 0.34%

only in the traditional salad dressing section.

Low-sodium: But everything else aside, the buzzwords on the tongues of excited manufacturers throughout the diet/lo-cal industry are "low sodium."

"It could be the biggest thing to happen [to the category] since the inception of the dietetic section in grocery stores," speculates Tony Ritondale, national sales manager of Chicago Dietetic, makers of Featherweight products.

In this area, more than anywhere, diet/lo-cal items are drawing interest from people who want to cut their sodium intake now to avoid health problems later.

"We now have over 100 low-sodium items, or double the number we had five years ago," says Ritondale, whose company recently introduced a new line of low-sodium canned meats. "Today, the range of low-sodium products is reaching every commodity group. And the 100 items we have now could double in the next couple of years."

Sales of low-sodium products reflect an almost overnight awakening on the part of consumers who want to limit their salt intake. Consider this: In 1980, sales were $7.1 million, a 13% increase over 1979. But by 1981, sales hit nearly $12 million, a dramatic 68% climb.

A major entry in the low-sodium market is No Salt, introduced last December by Revlon and representing that company's first venture into the food business. Behind a megabuck advertising blitz that company officials say will continue through this year, No Salt leaped on the scene, joining Morton with its line of no- and low-sodium products, and Cumberland Packing with Nu Salt, its no-sodium entry. Roger Shelly, Revlon vice president of corporate affairs and investor relations, says that SAMI figures show that since No Salt's national rollout, it has grown to command 28% of the dollars in the entire salt market.

Sugar: On the sugar front, there have been two major, related legislative developments.

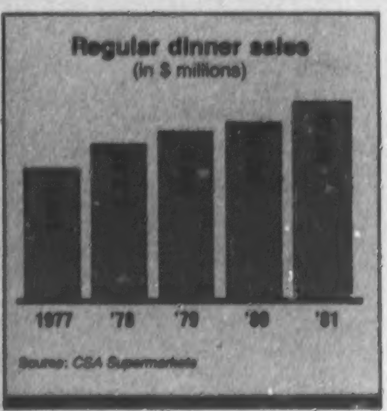
First, Congress extended the moratorium on the saccharin ban. "It was what I expected," says Marvin Eisenstadt of Cumberland Packing, makers of dominant market leader Sweet 'N Low. "People are becoming more and more aware that sugar is the cause of many problems, and Congress wouldn't have extended the moratorium if there was evidence that saccharin wasn't safe." Eisenstadt says his company's sales have been growing in excess of 10% annually since Sweet 'N Low was introduced in 1960, and he expects the trend to continue as more consumers look to cut down on their sugar intake.

The second development is the F.D.A. approval of a new sugar substitute, aspartame. Made by Searle and marketed as NutraSweet, aspartame will appear in stores in two forms: as a tabletop sweetener, Equal, and in a wide range of foods offered by a number of large manufacturers, like General Foods.

Equal, after successful test-marketing, will roll out in the Southeast this summer, with a national introduction slated for later in the year.

The giants in the dietetic industry, like Estee and Chicago Dietetic, are experimenting with aspartame. Executives say they're impressed with the taste, but add that with aspartame still quite expensive, they're sticking with saccharin as a sugar substitute—for the time being at least. ☐

By targeting older infants and mothers' concerns with nutrition and convenience, sales soar a surprising 22%



Source: CSA Supermarkets

Finding a successful formula in a more 'mature' market

Boomlet, bulge, upswing or an echo of the post-World War II baby boom—whatever you call it, the birth rate is up. And with baby food sales clearly at the mercy of the forces of supply and demand, that's pacifying news for an industry that's been shackled with stagnation for so many years.

Reflecting this upward birth trend, the category made healthy overall gains in 1981 with sales of $956.55 million, a 21.8% rise over last year's $785.35 million. But if the stork is making more frequent appearances, the residual effects are not exactly being felt across the board. The result: Some products are booming and some are stagnant. To sum it up, 1981 saw the strengthening of trends set in the last couple of years, with baby food manufacturers placing stronger emphasis on the older infant and formula standing out as the most visible winner.

Even though the number of infants in the United States is steadily growing—an estimated 3.65 million babies were born last year, a 1.3% increase over 1980 and 15.1% more than in '76—there are other factors that prohibit the growth of certain products. One such trend is the delay of solid foods into the infant's diet. "The No. 1 problem of the baby food business right now is the decreased length of the feeding cycle," says Heinz's Gary Porter.

Gerber, which has a 70% lock on the business, claims this doesn't mean a decreased universe for the product. Rather, according to the company's John Whitlock, moving up the consumption of baby food to the older infant increases the market. "Older babies eat more, so that means a bigger market," he says. Nevertheless, other industry observers say that any dollar sales increase is due to inflation.

Aimed at children between the ages of one and four, Gerber's Chunky Foods feature 11 varieties and are described as "tender, bite-sized bits of fruit, vegetables and meat that encourage maturing chewing abilities." Now available in parts of the Midwest, the line is slated for national distribution next year.

On another front, manufacturers are directing their efforts toward the growing consumer concern over nutrition. "We have to convince mothers that our products are as good as anything that can be made at home," says Heinz's Porter. To help get its point across, Beech-Nut has even changed its name to the Beech-Nut Nutrition Corporation. Nestlé's acquisition of the company has resulted in a program of more research and development. Whether this will give Beech-Nut a substantial lead over Heinz in market share remains to be seen. At present Beech-Nut holds a slight edge over Heinz.

Along with its nutrition-oriented approach, Beech-Nut has reformulated over half its products to improve taste. And its advertising drives home that message by asking consumers: "What good is good nutrition if it doesn't taste good?"

Meanwhile, food processors, which make it easier than ever for parents to control what goes into their infants' food, have become an obvious mark against commercially prepared food. But manufacturers assert that convenience and price are on their side. "More women are working, and commercial product is still a valuable product," argues Porter. Gerber's Whitlock agrees, noting that it's easier for working women to serve commercially prepared food than prepare a separate meal when making the transition from formula to table foods.

Baby Foods: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dinners, Hi-Protein	2.07	$ 19.87	$ 15.96	24.50	1.83	$ 1.80	5	9.0
Strained	0.62	5.96	5.32	12.03	0.57	0.56	2	9.4
Junior	1.45	13.91	10.64	30.73	1.26	1.24	3	8.9
Cereal Combinations	1.67	15.91	14.19	12.12	1.37	1.34	6	8.4
Strained	1.25	11.93	10.64	12.12	0.99	0.97	4	8.1
Junior	0.42	3.98	3.55	12.11	0.38	0.37	2	9.3
Dinners, Regular	7.06	67.58	62.06	8.89	6.97	6.83	29	10.1
Strained	3.32	31.80	28.37	12.09	2.92	2.86	14	9.0
Junior	3.74	35.78	33.69	6.20	4.05	3.97	15	11.1
Meats	6.44	61.62	53.19	15.85	8.20	8.04	11	13.0
Strained	3.74	35.78	30.14	18.71	4.75	4.65	6	13.0
Junior	2.70	25.84	23.05	12.10	3.45	3.39	5	13.1
Desserts	6.24	59.62	51.41	15.97	5.44	5.33	22	8.9
Strained	3.95	37.76	31.91	18.33	3.28	3.21	13	8.5
Junior	2.29	21.86	19.50	12.10	2.16	2.12	9	9.7
Soups	1.25	11.93	5.24	127.67	1.96	1.92	4	16.1
Strained	0.83	7.95	5.24	51.72	1.13	1.11	2	13.9
Junior	0.42	3.98	0.00	0.00	0.83	0.81	2	20.4
Vegetables	5.61	53.67	44.33	21.07	4.81	4.72	18	8.8
Strained	4.36	41.74	33.69	23.89	3.62	3.55	13	8.5
Junior	1.25	11.93	10.64	12.12	1.19	1.17	5	9.8
Fruits	8.31	79.51	67.37	18.02	7.60	7.46	26	9.4
Strained	5.40	51.68	42.55	21.46	4.85	4.76	17	9.2
Junior	2.91	27.83	24.82	12.13	2.75	2.70	9	9.7
Juices	8.10	77.51	62.05	24.92	7.75	7.60	17	9.8
Cereal [Dry]	3.12	29.81	26.59	12.11	3.44	3.37	10	11.3
Biscuits, Cookies, etc.	0.62	5.96	5.32	12.03	0.87	0.85	3	14.3
Formula	48.89	467.60	372.32	25.59	49.14	48.16	26	10.3
All Other Baby Foods	0.62	5.96	5.32	12.03	0.62	0.61	1	10.2
Total	100.00	$956.55	$785.35	21.80	100.00	$98.01	178	10.2

% of total store volume . . . 0.47%

Indeed, convenience appears to be a major consideration in formulating new products. Gerber, for one, is currently testing Beginner Flakes, which comes in vegetable or fruit flavors and is mixed with formula or breast milk. Prepared the same way as baby cereal, it can be mixed to a chosen consistency and needs no refrigeration after opening.

Packaging, too, is affected by convenience. Since individual jars are difficult to display, Beech-Nut introduced 6-packs of juices. George Kilpatrick, vice president of marketing for Beech-Nut, says they are "displaying and merchandising very well."

The company is also offering 4-packs of regular strained food to nonfood retailers and is testing the multiple-packs in supermarkets. Looking ahead, Kilpatrick says, "It's very possible" that the program will expand to supermarkets.

Formula: While baby food is not yet profiting from the birth increase as much as manufacturers would like, formula is the rising star of the category. "Over the last four years our tonnage has increased 50%," says Bob Brush, national trade sales manager for Ross Laboratories, which holds a dominant share of the formula market.

The reason for its growth is the same as for the problems in the baby food section proper: extended feeding on infant formula. "Eight years ago mother would feed baby an average of 17 weeks on formula; now that figure is at about 40 weeks," explains Brush. What about mothers who breast feed? The current level is roughly 60%, but manufacturers are quick to point out that most mothers use formula as a supplement and for convenience.

The fastest-growing form of formula is powdered. Again, convenience is cited as the reason for its growth, according to an industry observer who says this type almost doubled in sales last year.

In merchandising, the developing trend is offering consumers formula by the case rather than the can. Since it is the sole nutrition source for many babies, one case (1 qt.) is a week's supply—and it's easier for the shopper to pick up a whole case rather than lug around the individual cans. Consequently, many supermarketers sell formula this way—a strategy already utilized by most drug stores and mass merchandisers. □

Back in full force, peanut butter makes strong gains; producers hope to boost jelly by targeting older shoppers

Smooth sailing for spreads

By all accounts, it was a solid year for spreads and syrups.

Paced by peanut butter's 27% sales jump to $733.4 million, overall category sales advanced 22% in 1981 to $1.23 billion.

Peanut butter's sales increase reflects an approximate 10% tonnage growth. What makes this performance so impressive is that prices dropped significantly last year thanks to the nation's second-best peanut crop ever. Today's average retail price of $1.29/12-oz. jar is 32% below the $1.89 charged in late '80, when the drought caused low production and a poor-quality crop.

Despite manufacturers' concerns that 1980's high prices would drive people to other products, substitute spreads couldn't attract market share. "When peanut prices declined in '81, consumers came back strongly," says Tyron Spearman, coordinator of the Peanut Advisory Board (PAB), a trade group for Southeastern growers.

An added fillip: Lower wholesale prices provided retailers with wider margins, allowing them to actively promote peanut butter. A three-week promo at 400 Kroger stores this spring, for instance, lifted their peanut butter volume about 77%, says Spearman.

Aside from intensive promotions like these, there are a few curves in peanut butter's road to success. The recent population decline among 4-14-year-olds, who Spearman says consume over three-quarters of the nation's peanut butter, is causing the industry to retarget toward the adult market. The effort is beginning to pay off, as senior citizens

Spreads: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Apple & Other Fruit Butters	**0.97**	**$ 11.93**	**$ 10.64**	**12.12**	**1.12**	**$ 2.94**	**2**	**24.6**
Peanut Butter	**59.70**	**733.41**	**576.22**	**27.28**	**51.36**	**134.21**	**31**	**18.3**
Marshmallow Spread	**1.13**	**13.91**	**12.41**	**12.09**	**1.01**	**2.63**	**1**	**18.9**
Jellies	**10.36**	**127.21**	**117.01**	**8.72**	**12.37**	**32.31**	**22**	**25.4**
Apple	0.81	9.94	8.86	12.19	1.06	2.76	3	27.8
Grape	7.28	89.44	83.33	7.33	8.42	22.00	12	24.6
All Other Jellies	2.27	27.83	24.82	12.13	2.89	7.54	7	27.1
Jams & Preserves	**23.63**	**290.19**	**247.01**	**17.48**	**29.07**	**75.98**	**37**	**26.2**
Blackberry	0.81	9.94	7.09	40.20	1.03	2.69	1	27.1
Grape	2.43	29.81	32.48	– 8.21	2.51	6.56	6	22.0
Peach	0.65	7.95	8.86	–10.26	0.80	2.10	2	26.4
Raspberry	3.40	41.74	30.14	38.49	4.44	11.60	5	27.8
Strawberry	10.84	133.17	111.70	19.22	12.74	33.29	11	25.0
All Other Jams & Preserves	5.50	67.58	56.74	19.10	7.55	19.73	12	29.2
Marmalades	**3.40**	**41.74**	**33.69**	**23.89**	**4.07**	**10.64**	**7**	**25.5**
All Other Spreads	**0.81**	**9.94**	**8.86**	**12.19**	**1.00**	**2.62**	**2**	**26.4**
Total	**100.00**	**$1,228.33**	**$1,005.84**	**22.12**	**100.00**	**$261.33**	**102**	**21.3**

% of total store volume . . . 0.60%

Syrups: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Molasses	4.12	$ 17.89	$ 14.18	26.16	4.46	$ 4.15	3	23.2
Honey	31.12	135.15	117.02	15.49	33.98	31.63	13	23.4
Churned Honey	4.36	18.92	16.38*	15.51	4.29	3.99	1	21.1
Pure Maple Syrup	4.15	18.05	17.73	1.80	4.65	4.33	1	24.0
Maple-Flavored Syrup	48.96	212.66	189.71	12.10	44.74	41.64	18	19.6
Plain	42.10	182.85	161.34	13.33	37.92	35.29	15	19.3
Buttered	6.86	29.81	28.37	5.08	6.82	6.35	3	21.3
Corn & Cane Syrups	5.49	23.85	23.05	3.47	5.18	4.82	3	20.2
All Other Breakfast Syrups	1.80	7.79	7.09	9.87	2.70	2.51	5	32.2
Total	100.00	$434.31	$386.51	12.37	0.00	$93.07	44	21.4

% of total store volume . . . 0.21%

*revised 1980 figures

now eat 6% of the nation's supply compared with 1% in 1976, according to a recent PAB study.

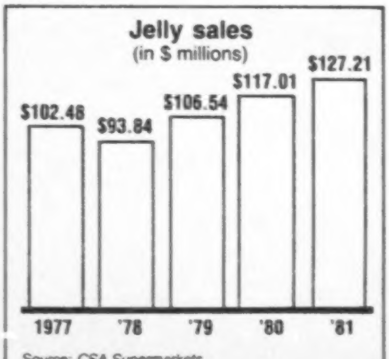
Moreover, people are eating 10% of their peanut butter at the breakfast table, up from 2% in 1976, the study reveals. With this in mind, some retailers are experimenting with cross-merchandising peanut butter with cereals, breads and milk.

If the name brand manufacturers have one major problem, it's the inroads being made by private label and generic peanut butters, which are priced about 30¢ a jar lower. Industry estimates give Skippy a 41% market share, private labels 32%, Jif 17%, Peter Pan 7% and generics 3%.

Smooth peanut butter draws 60% of sales and crunchy 40%, although the move is toward 50-50, says Spearman.

Manufacturers of most other spreads had an uneventful '81, with most of their 12% sales increase coming from inflation. For '82, estimates are that tonnage may grow 1%-2% on rising prices of up to 4%.

Meanwhile, traditional favorites still command the market. Grape and strawberry jams and jellies together account for 65% of tonnage, but orange marmalade, red raspberry and apricot preserves are gaining in popularity. Since the expanding older populace prefers preserves, retailers expect better than average sales growth from this segment.



Source: *CSA Supermarkets*

Low-sugar products, with "less than a 2% share in '78 are nearer to 10% now, and that may be about its current limit," says Chuck Laine, director-groceries marketing at J. M. Smucker Co. He sees low-sugar's limited line of flavors expanding by late '83.

Leading national brands, which account for 70% of the market, are Smuckers at 26%, Welch's 12.9%, Kraft 8.2% and Bama 6.6%. Since 1979, however, private labels and generics upped their share from 27% to 30%, as their lower prices enabled them to compete neck-and-neck with nationals in many markets.

Syrup sales continue to be hindered by the nation's dwindling youth market and a growing preference for light breakfasts. Yet the tight economy has made many people pancake, waffle and syrup eaters, and this helped generate a 12% category sales rise in '81—mostly in maple-flavored syrups.

Honey showed a sales boost of 15.5%, mostly due to higher Government loan supports that drove up prices, says Larry Schuetz, vice president, marketing and sales manager of the Sioux Honey Association. Nevertheless, tonnage was flat last year and may erode in '82.

Because of honey's relatively high prices, private labels and generics managed to grab nearly half of sales nationally. Overall margins are up in '82 to 25%-28%, Schuetz adds. ☐

TOBACCO PRODUCTS

Cigarette makers reposition existing brands and roll out new ones in an ongoing effort to boost unit sales

Holy smoke! Low tars lead the pack as deepest draw

Smokers continued switching to reduced tar cigarettes in droves last year; and manufacturers, anxious not to get lost in a cloud of smoke, responded just as quickly by lowering the tar content of many brands.

The result: By year end, reduced tar blends accounted for six of every 10 cigarettes that Americans bought, up from 48.5% in 1980. But what's even more impressive is the turnaround since 1977, when full-flavoreds ruled the roost with a 76.4% share, leaving less than one in four Americans smoking reduced tar blends.

The shift hasn't dampened sales one bit. Overall, tobacco products drew 4.21% of all supermarket sales in '81, racking up $8.37 billion, or 7.26% more than in 1980. Cigarettes alone represent 97.65% of this, or $8.17 billion.

Supers maintained their steady 40% share of the nation's nearly $20 billion cigarette volume.

Throughout the United States, cigarette unit sales rose 1.5% to 627.7 billion units, and experts project a similar tonnage hike in '82. Last year's rise continued a 12-year consecutive growth trend, despite the sluggish economy and adverse health publicity.

Much of the massive shift by smokers toward reduced tars has apparently been spurred by health concerns. "Someone who smokes a 1-2mg tar cigarette is highly cognizant of that level and won't step up," says Dick Orcutt, senior vice president/sales at Lorillard. "There is plenty of brand switching among very low and ultra low tars, but mainly to brands of equal or lower tar contents."

Generally, ultra low tars contain 6mg or less of tar, ver low tars 9mg or less, low tars 15mg or less, and full-flavoreds 16mg or more.

Responding to the consumer shift, industry leader R. J. Reynolds, for example, recently repositioned nearly all of its strongest-selling Winston brand family and all of its Camel brands into low-tar smokes. The tactic paid off: Winston's market share rose from 13.2% to 13.3% in '81, and Camel went from 4.3% to 4.8%, according to John Maxwell, analyst at Lehman Brothers Kuhn Loeb.

Lorillard, one of the first to bank on reduced tars, currently musters 75% of its business from these smokes. All of the company's current best sellers—Kent, Newport, True and Golden Lights—have several reduced-tar packings.

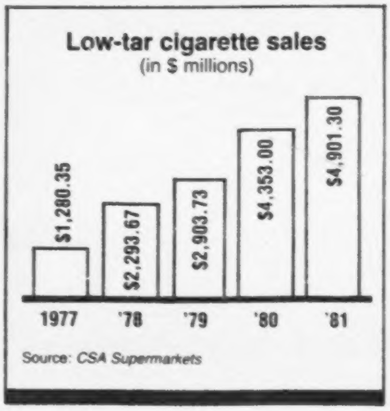
The reduced-tar trend continued to gain momentum in new products introduced last year. Of 1981's 21 new brand styles, four were low and

Tobacco Products: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Cigarettes	**97.65**	**$8,168.83**	**$7,588.32**	**7.65**	**95.28**	**$1,168.14**	**114**	**14.3**
Low Tar	60.00	4,901.30	4,353.00*	12.60	60.00	700.88	16	14.3
Full-Flavored Filters, King Size	25.41	2,075.70	2,078.19*	– 0.01	25.41	296.83	43	14.3
Full-Flavored Filters, 100mm	10.55	861.81	850.57*	1.32	10.55	123.24	51	14.3
Non-Filters, Regular Size	2.61	213.21	198.05	7.65	2.61	30.49	2	14.3
Non-Filters, King Size	1.43	116.81	108.51	7.65	1.43	16.70	2	14.3
Disposable Lighters	**0.74**	**61.61**	**44.32**	**39.01**	**2.06**	**25.26**	**8**	**41.0**
Other Tobacco Products	**1.61**	**135.16**	**166.67**	**–18.90**	**2.66**	**32.71**	**123**	**24.2**
Cigars	0.57	47.70	51.42	– 7.22	0.81	9.97	51	20.9
Pipe & Cigarette Tobacco	0.52	43.73	54.96	–20.42	0.77	9.45	47	21.6
Chewing Tobacco & Snuff	0.31	25.84	39.01	–33.75	0.46	5.63	11	21.8
Pipes, Lighter Fluid & Accessories	0.21	17.89	21.28	–15.92	0.62	7.66	14	42.8
Total	**100.00**	**$8,365.60**	**$7,799.31**	**7.26**	**100.00**	**$1,226.11**	**245**	**14.7**

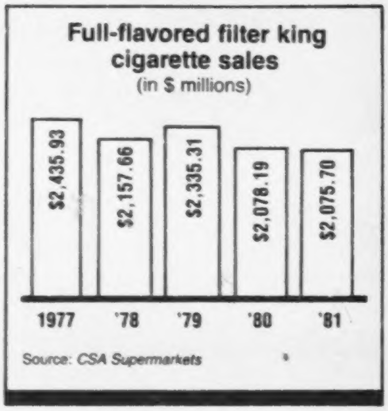
% of total store volume . . . 4.06%

*Reflects change in product classification



Low-tar cigarette sales
(in $ millions)

Source: *CSA Supermarkets*



Full-flavored filter king cigarette sales
(in $ millions)

Source: *CSA Supermarkets*

very low tars and 17 were ultra-low tars, with several marked successes among them. The $150 million spent by Brown & Williamson to launch ultra-low-tar Barclay helped the brand snare a 1.3% market share on 7.9 billion units.

With a 1% market share translating into sales of nearly $140 million, these lofty promotional costs are not so out of line. In fact, many observers think current average launching costs of $50 million to $60 million could double in the next few years.

To boost its share of the fast-growing ultra-low-tar category, R. J. Reynolds recently introduced Salem Lights, which has already garnered a 0.6% industry share, and Winston Ultras, which has a 0.5% share.

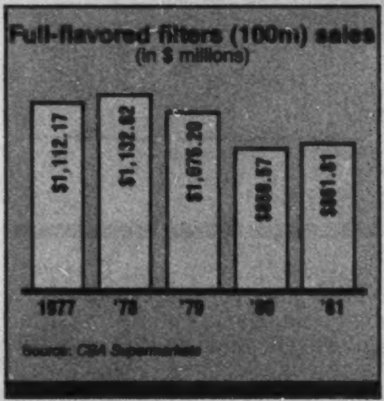
And just last month, Philip Morris rolled out Benson & Hedges Deluxe Ultra Lights after testing it in four markets.

The dominant brand in this segment continues to be Philip Morris' Merit (4.5% industry share), followed by American Brands' Carlton (2.2%), B&W's Barclay and Lorillard's Kent III (1.2%).

In the full-flavored spectrum, PM's Marlboro continues to ride off with No. 1 selling honors. Bucking the downtrend in full-flavored smokes, the brand's unit sales rose 4.7% last year to give it a commanding 18.3% total industry market share. Accounting for 58% of the company's business, Marlboro's success helped further narrow RJR's lead in industry market share.

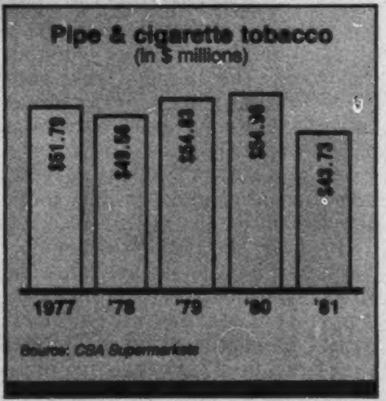
R. J. Reynolds remains king of the turf with a 33% share, but Philip Morris' sizable pickup raises its share to 31.8%—well ahead of Brown & Williamson's 14%, American Brands' 9.6%, Lorillard's 9.2% and Liggett Group's 2.4%. While most gained, AB and Lorillard dwindled 1.2% and 0.5%, respectively, because other cigarette manufacturers butted further into their low-tar territory; AB's flagship Carlton dipped 0.4%, and Lorillard's Kent III and Triumph brands didn't sustain earlier strength.

Those that generally did stay strong were the nation's 10 best-selling brands: Marlboro, Winston, Salem (8.8%), Kool (8.4%), Camel,



Full-flavored filters (100m) sales
(in $ millions)

Source: CSA Supermarkets



Pipe & cigarette tobacco
(in $ millions)

Source: CSA Supermarkets

Pall Mall (4.7%), Benson & Hedges (4.5%), Merit, Vantage (3.7%) and Kent (3.0%).

Price-consciousness: After three price hikes totaling about 9% in '81 and 5% in '82, some tobacco officials began expressing concerns that unit growth in cigarettes might stall if the industry didn't respond to consumers' heightened price sensitivity during these tough economic times.

In what some consider a demonstration of price-consciousness, smokers in many parts of the country are switching to private labels and generics, which retail at about $1.10 per carton less than name brands. For the makers of the unbrands, such as Liggett & Myers, which reap an estimated 0.4% of the national market, the slow economy may help bring further segment expansion in '82.

This unmatched concern about cigarette prices is causing supermarkets to sell more of the more highly profitable single packs, now up to about 35% of sales from 30% a year ago. Because of single packs' higher margins (20%-25%) as opposed to cartons (10%-12%), retailers are overcoming their disinclination to sell them.

Moreover, the shift to loose packs is a way to compete against convenience stores, which sell virtually all their packs singly and ring up 17% of the nation's cigarette dollars along the way.

While the average gross margin on cigarettes is 14.3%, the category's 25 turns a year make it particularly lucrative for retailers. Overall, '81 cigarette profits in supers were substantial—a 16.2% jump to $1.17 billion.

Merchandising allowances make a further impact on supers' profits. For example, Lorillard pays stores $9 apiece to display its brands for two weeks on a freestanding rack, and PM pays stores $244 to convert to in-line gondola displays. Retailers running promos year-round can add substantially to their operating profits, especially multistore networks.

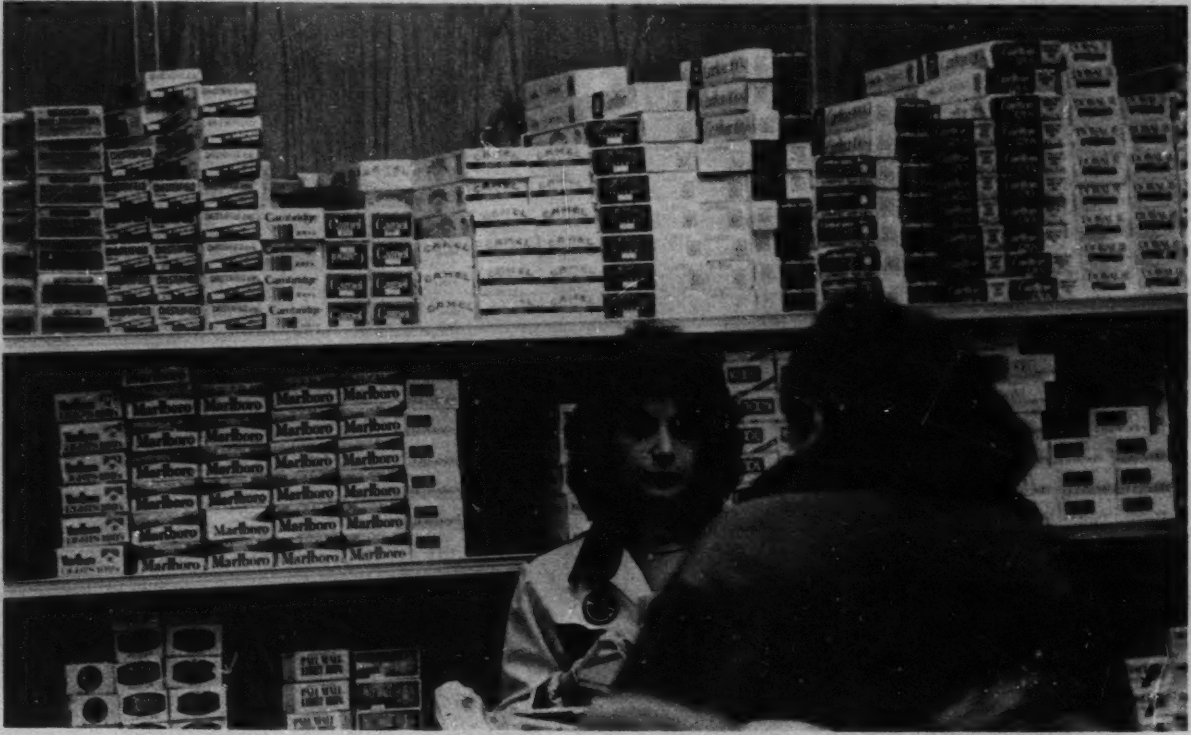
Proliferation fever: Presumably, for retailers to continue expanding their profits, they must cope successfully with the mounting tally of cigarettes—currently 189—as manufacturers appeal to ever-narrowing market segments.

"People want products they can personally identify with, and that's having a great effect on proliferation of all product lines, not just cigarettes," says Mike Titsworth, director of national retail accounts at Philip Morris.

In fact, 82% of today's smokers remain brand-loyal. Granted, that's a lot of people who'd rather fight than switch, but not as many as in 1974, when 95% stuck to their brands. Three times as many people will switch today, and the increasing temptation of so many new brands has much to do with this marked shift.

Consequently, over 11 million of the nation's 60 million smokers are brand-fickle—and to many retailers, this means keeping as many brands in stock as possible.

By now, 79% of the nation's supermarkets are opting for self-service merchandising, apparently convinced by tobacco reps that shrink lives more in retailers' minds



than on their shelves. The burning decision remains whether endcap or in-line gondola displays are most effective.

Lorillard's Orcutt says that in most cases carton endcaps "can't do the job because their limited space prevents retailers from stocking all the brands they need. Using gondola shelving gives operators flexibility to tailor inventory to the local market needs."

PM says at least 5,000 supermarkets now merchandise in-line, about double the roster of 1979.

However, the nation's other 34,000 supermarkets—nearly nine out of 10—continue to sell from RJR-supplied endcap fixtures. And RJR points to studies that show the space-efficient endcaps produce higher sales.

Regardless of the method used, retailers will buy best by concentrating on the 110 brands currently drawing 95% of sales. To avoid tying money up in inventory, growing numbers of supers are buying about 75 brands directly from manufacturers, then contracting with jobbers to fill in the other 35 or so brands that sell more slowly. This gives them the packings they need without the warehouse expense.

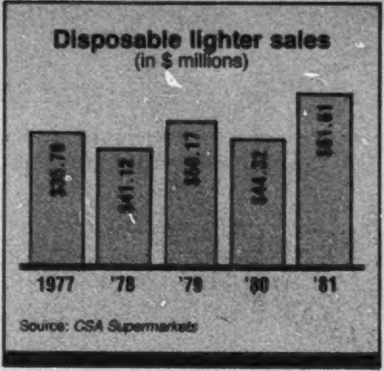
There may be nothing retailers can do, however, to offset an increased excise tax that Congress will be discussing after this year's elections. Having squashed it for the current budget, Congress will be heavily pressured to pass it next time, tobacco officials believe.

If passed, the Federal tax on cigarette packs will double to 16¢. And if that raise comes when the economy is still sluggish, only time will tell how price-sensitive smokers really are.

Other products: Among other tobacco products, the cigar segment continued its modest performance, as sales fell 7.2%—partly because "low price domestics just don't move. Costlier imports would probably do well in supers," says a major tobacco company spokesman. Pipe tobacco and cigarette tobacco also fell in '81, although observers point to the recessionary economy causing more people to roll their own smokes, which might provide an uplift this year.

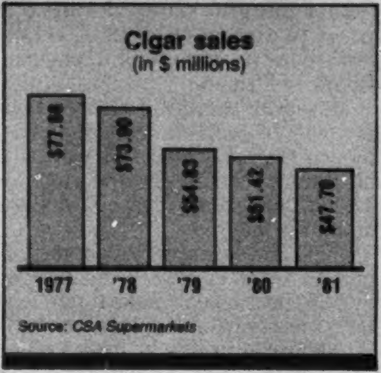
Disposable lighters, whose fortunes rise with other tobacco products, jumped 39% last year. Continued industry growth and heavy promotions should keep their flames burning through '82.

Another promising performer, chewing tobacco and snuff, experienced stalled growth in '81. But suppliers say that smokeless's growing base of collegiate and young professional users—especially in the Southeast—should boost growth again in '82. ☐



Disposable lighter sales
(in $ millions)

Source: CSA Supermarkets



Cigar sales
(in $ millions)

Source: CSA Supermarkets

Pickle packers are dipping into the barrel of changing tastes in a move to attract new markets and hold on to the old

New pickle varieties a dilly; olives steady despite yield

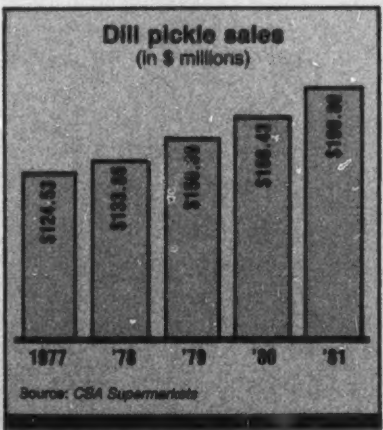
Pickle lovers continued to feed their fancy in 1981, but while variety choices broadened, unit sales were only slightly better than stable.

The most noticeable development was a growing consumer shift to the lower-ticket private label items. At year's end private label and generics reportedly captured 25% of the pickle market, while PL relish share was at 28% and growing.

Tuned in to the growing market and looking to penetrate more of this business, H. J. Heinz & Co. says it has deepened its commitment to private label packing, expecting to make some inroads of its own.

Regional brand name packers, who have lost some share of market in recent years, are also expected to swing more toward PL. One industry observer says regionals could easily recoup much of the business that has drifted away. Typically, PL 32-oz. jars are now going for $1.20 or less, while national brands of 32 oz. run around $1.50.

On the variety side, premium-priced refrigerated pickles, claiming 15% of the market, continued to build a following. And while fresh-packed kosher and Polish dills still dominate at 50%, packers are keeping a close eye on the consumer's rapidly broadening tastes. One such example is a growing preference for Mexican-style specialty foods.



Source: CSA Supermarkets

Says Pickle Packers International's Bill Moore, "Because Mexican food has become so popular, some pickle companies have developed newly formulated products, labeling and packaging to appeal not only to the American Mexican food lover, but to the increasing Hispanic population."

Atkins Pickles, Atkins, Ark., has developed a recipe for this market by packing pickles with a jalapeno pepper, making for a hot variety; it's been tagged "Mexicalidad." Introduced in the last half of 1981, the new pack is reported to be gaining an enthusiastic following.

By contrast, three new premium-priced varieties of old-fashioned pickles are being test-marketed in Indianapolis and Columbus, Ohio. The new containers of whole, half and chips are being supported by TV promotions and couponing through January 1983.

Aware of the popularity of low-calorie kosher pickles, the industry is also testing products with either a lower sugar count for sweet assort-

Pickles: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Pickles	**61.27**	**$345.82**	**$294.32**	**17.50**	**62.20**	**$ 94.83**	**60**	**27.4**
Dill	33.80	190.80	168.43	13.28	34.29	52.28	34	27.4
Sour	1.06	5.96	5.32	12.03	0.98	1.50	1	25.1
Sweet	21.13	119.25	99.29	20.10	21.75	33.15	20	27.8
All Other Pickles	5.28	29.81	21.28	40.08	5.18	7.90	5	26.5
Pickle Specialties & Relishes	**38.73**	**218.63**	**170.21**	**28.45**	**37.80**	**57.62**	**35**	**26.4**
Pimientos & Peppers	20.07	113.29	86.88	30.40	19.47	29.68	17	26.2
Relishes	14.08	79.50	63.83	24.55	13.72	20.91	12	26.3
All Other Pickle Specialties	4.58	25.84	19.50	32.51	4.61	7.03	6	27.2
Total	**100.00**	**$564.45**	**$464.53**	**21.51**	**100.00**	**$152.45**	**95**	**27.0**

% of total store volume . . . 0.27%

ments or a lower salt level content for dills.

"We are not looking to cannibalize our original market," says an industry spokesman. "We are looking to save that long-time loyal segment that has chosen to move away from sugar and salt."

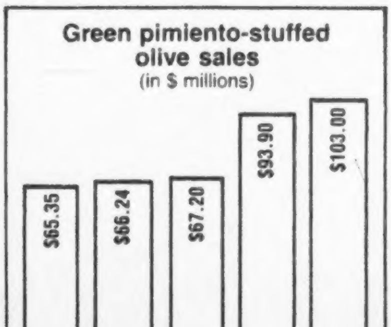
But at this time, since salt is a preservative as well as a seasoning, it has been possible to reduce salt content only to 200mgs. That's still too high for a low-salt diet; but the research continues.

The always promotion-conscious pickle industry, while catering to the health-inspired populace, is by no means ignoring the youth market. Current plans call for a fall ad campaign zeroing in on this potentially huge customer base.

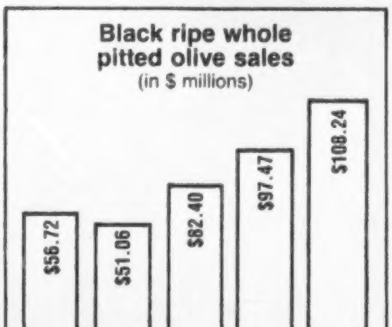
Olives: Olive trees relaxed during 1981 to revitalize their olive-bearing strength; but in so doing the cyclical output of olives was very light after three previous strong yields.

The short harvest, unfortunately, had a threefold result: Raw materials were up (by $250) to $750 per ton; wholesale allocations of product were necessary, and there was an increase in retail prices.

"The only modest tonnage increase in black olives," says Bob Rossio, Lindsay Olive's president, "was a 10% unit increase in black ripe canned, slices, wedges and diced olives." "People seem to prefer pitted fruit, and we can't pit 100% of product," he says of the lower consumption of whole olives. While Manzanillo and Ascalano varieties pit easily, Sevillano is rather like a


Green pimiento-stuffed olive sales
(in $ millions)

Source: *CSA Supermarkets*


Black ripe whole pitted olive sales
(in $ millions)

Source: *CSA Supermarkets*

Olives & Vinegar: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Olives	**69.44**	**$248.57**	**$225.62 ***	**10.17**	**73.76**	**$72.78**	**33**	**29.5**
Green, Ripe, Whole, Pitted [Canned]	1.04	3.73	3.56*	4.77	1.09	1.08	8	29.7
Black, Ripe, Whole, Pitted [Cured]	30.24	108.24	97.47 *	11.11	30.61	30.20	5	27.9
Green, Pimiento-Stuffed	28.78	103.00	93.90 *	9.69	31.53	31.11	10	30.2
Green, Unstuffed, Whole, Pitted	9.07	32.47	29.59*	9.73	10.21	10.07	3	31.0
All Other Olives	0.31	1.11	1.09 *	1.83	0.32	0.32	7	28.9
Vinegar	**30.56**	**109.32**	**97.51**	**12.11**	**20.87**	**26.24**	**17**	**23.7**
White, Distilled	12.77	45.71	40.78	12.09	8.55	10.75	6	23.2
Cider	7.78	27.83	26.59	4.66	5.25	6.60	5	23.4
Wine & Herb	10.01	35.78	30.14	18.71	7.07	8.89	6	24.5
Total	**100.00**	**$357.89**	**$323.13 ***	**10.76**	**100.00**	**$98.66**	**50**	**27.6**

% of total store volume . . . 0.22%

*Revised 1980 figures

clingstone and does not lend itself to the pitting process freely.

Projecting ahead, present domestic outlook for this year is for a large crop. "While the fruit isn't out yet, the bloom is, and that's a very positive sign for a good yield," says an olive expert in California.

Still, it is estimated that while raw materials will be down around $575 per ton in 1982, there will be little wholesale price relief—maybe a 5% decrease. Preparation and labor costs are expected to offset the cheaper cost of the raw material.

Oblivious to the universal low olive output in 1981, both domestic and imported green, pimiento stuffed, whole and pitted olives sold through 5.9% tonnage ahead of 1980, obviously leaning on the residue stock of the previous year.

On the import side, a spokesman for the Green Olive Trade Association in Europe notes, "Today the green olive market in Spain is topsy-turvy. They had only 60% of a normal harvest last year. The rain in Spain," he explains, "didn't come until late August—too late for the September harvest; this drove prices up over 10%."

Packers, whether importers or domestic, basically see the industry as supply-oriented. "If we have a good crop, and as long as the product is prominently displayed, olives sell through," one importer sums up. ☐

Unit Movement

The following chart shows each pickle category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Pickles	**215**	**50.95**
Dill	121	28.67
Sour	2	0.47
Sweet	74	17.54
All Other Pickles	18	4.27
Pickle Specialties & Relishes	**207**	**49.05**
Pimientos & Peppers	113	26.78
Relishes	75	17.77
All Other Pickle Specialties	19	4.50
Total	**422**	**100.00**

Cracker sales continue to close in on cookies, but both segments hope to feed off the think-thin generation

Sugar/salt shakeout peppers latest marketing strategies

The industry's newest buzzwords are "low calorie" and "low sodium," and the $4 billion cookie and cracker category is no exception.

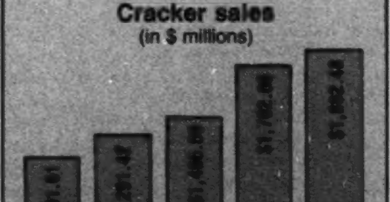
"We are now developing low-sodium crackers," says a Nabisco executive. "We are not seeking a salt substitute; rather, natural additives such as vinegar, lemon and spices in lieu of salt."

Says a Pepperidge Farms exec, "First, we are reviewing our specs—especially the amount of topping salt. However, our first consideration is that the product tastes good."

A tip-off on the shape of the new cracker barrel is Nabisco's success with Wheatsworth, a low-calorie, no-preservative, no-additive, no-artificial-flavoring cracker. Another is Keebler's Harvest Wheats, a blend of two whole grain wheats, introduced last year.

The cookie culprit is sugar. Here again the industry is seeking low-calorie substitutes. The surge of hope brought on by aspartame (the same sweetness as sugar but with one-tenth the calories) has evaporated because aspartame has not been approved for baked goods.

Cracker sales
(in $ millions)



Source: CSA Supermarkets

The sugar/salt concern is part of the changing lifestyles of the 80's. Think-thin, nutrition-diet devotees are in command, and their legions are growing.

Still, it's not a one-way street. A consumer researcher says, "It's true that people are increasingly aware of sugar, but they react ambivalently. They diet all week, and then on weekends they reward themselves by indulging in a calorie binge of super-rich cookies."

Against this backdrop, Nabisco has been testing its Gold Line dessert cookies in the Northeast. They are packaged in gold boxes and are made with pure chocolate. Weights of the five varieties vary from 3.75 oz. to 9 oz. and are priced in the $1.39 range.

Nabisco will go national sometime in 1982 with Duet, now being tested in the Northeast and West Coast. Duet has chocolate covering and peanut butter filling.

This trend to rich-and-yummy has caused a fall-off of plain cookies such as vanilla wafers. Pepperidge Farms is trying to reinvigorate this subcategory with a new package:

Cookies & Crackers: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Cookies/Crackers	100.00	$4,106.04	$3,705.51	10.81	100.00	$1,068.95	67	26.0
Cookies	54.15	2,223.56	2,003.46	10.99	52.63	562.56	49	25.3
Crackers	45.85	1,882.48	1,702.05	10.60	47.37	506.39	18	26.9
Total	100.00	$4,106.04	$3,705.51	10.81	100.00	$1,068.95	67	26.0

% of total store volume . . . 1.99%

two 3¼-in. old-fashioned cookies (seven varieties) in a pouch. The best display location is at the checkstand, but that's where the fight for space is at its most intense.

Overall, unit sales of cookies have been relatively flat. In addition to increased sugar awareness, the birth rate has declined—and children are cookie's best customers. More important, however, cookies are finding tougher competition from other snack items for "share of stomach."

Crackers: The fastest-growing segment in this category is snack crackers. Although cheese is still the most popular snack flavor, its share of market is receding before the wave of other flavors such as sesame and herbs; Nabisco's Potato 'n Sesame, introduced in February, 1982, is an example.

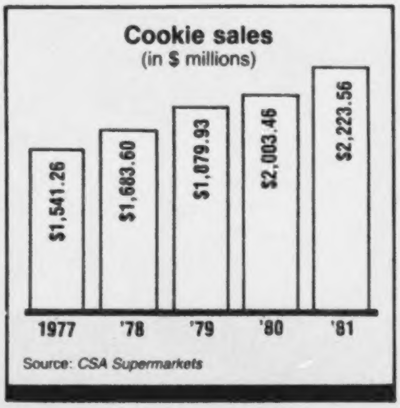
Sometimes an old reliable generates added sales steam with a new size. That's Pepperidge Farms' hope with its family pack of Goldfish tiny crackers in a 1-gal. milk carton. It provides a 10% saving over the 6-oz. size, and it's part of the more-you-buy, the more-you-eat philosophy.

Pepperidge is trying to position Goldfish in the institutional-size section for double coverage: the 6-oz. size in the cookie/cracker section, and the 31-oz. "carton" in institutional.

The No. 1 seller in crackers is still the plain Jane saltine, and the 1-lb. unit at 99¢ is the topper. Unsalted, which has been growing slowly for the past 10 years, is moving up faster now. At present, unsalted has about 15% of the saltine market.

The saltine hasn't changed much in the past 20 years. A packaging breakthrough occurred in 1959 with the four individual wax packs, and several years ago Nabisco came out with a clamp-closure device to preserve the freshness of each pack after it is opened.

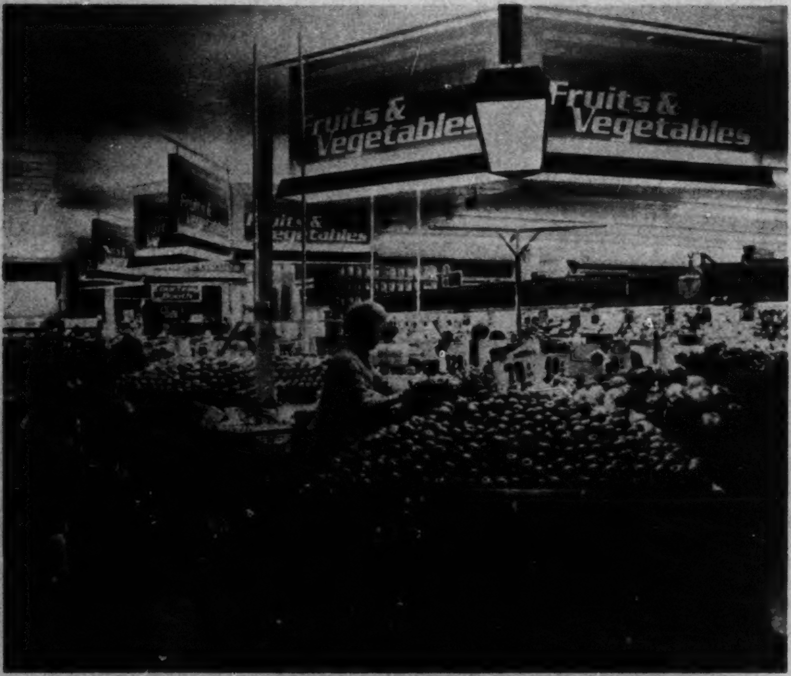
As a subcategory, however, saltine's sales power has fallen as snack crackers have risen. Still, saltine does best in a recessive economy because it delivers a good price/value. In a market that has been flat for 20 years, a 2% increase in sales is not to be deprecated. ☐

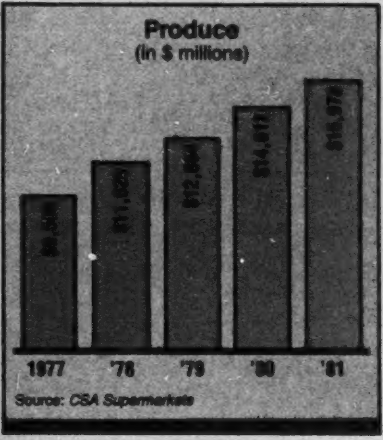


Cookie sales (in $ millions)

Source: *CSA Supermarkets*

Year-round availability, popularity of exotics and trend back to bulk have made produce departments heavy cash cows





Source: *CSA Supermarkets*

Fruits and vegetables turn into pick of supermarketers' crop

Consumers have fallen in love with fresh fruit. No other section in the supermarket is benefiting more profitably from the increasing emphasis on natural and nutritional foods than the produce department, where the heightened consumer demand is translating into a profit contribution of up to 30%.

Today the $16 billion category enjoys a steady, growing annual tonnage movement—up 3% in 1981. And in an industry that depends on the caprices of weather and cyclical bloom, such upward mobility represents a healthy market. An added caveat: While overall produce unit movement is up by single-digit figures, the sale of exotics has increased as much as 20% in 1981.

The increase in sales also reflects recognition by time-conscious consumers that vegetables require little or no cooking time. Moreover, weight-conscious consumers have influenced the popularity of spinach salad, raw mushrooms and the use of practically all fruits and vegetables as hors d'oeuvres, snacks and main dishes, as well as traditional side dishes and desserts. Salad bars have become part of the landscape.

Year-round 'seasonals': Retailers today are also making the most of extended seasons created by new imports. Chilean grapes, for instance, are now available from February through mid-May and are filling the gap for the California varieties that are generally available from May to late fall.

"Rather than killing the domestic product, it gives the retailers an opportunity to have grapes year-round," says an industry observer. "Actually, it promotes a steady grape-eating public."

After a three-year maturation period, a new California grape, called "red seedless variety," is now propagating 100% of product. In 1981 750,000 lugs were produced, doubling the 1980 crop. And although seedless green stock had a low bunch crop in 1981, growers are optimistic for the 1982 harvest as they contemplate an increased 6,000-acre planting.

Traditionally confined to the California market, oriental vegetables and exotic Persian, Casaba and Santa Claus melons are showing up nationwide. "Retailers want melon all year," says Freida Caplan, a Los Angeles-based supplier of exotic fruits and vegetables. "Melons are being brought in from New Zealand and Chili to satisfy the increased demand."

Perhaps the most dramatic strides have been made by kiwi fruit, which is used in *haute cuisine* for salads and desserts. Also a West Coast original, today it's selling fast all over the country. Both the New Zealand and California kiwi fruits have had a 40% increase in production.

Mushrooming vegetables: Of all the vegetables, mushrooms made the biggest spurt, up 11 million lb. for fresh production. At year's end it stood at over 267 million lb.

Ralston Purina, Campbells and Castle & Cooke, which entered the field within the past five years, have contributed big bucks for research and merchandising techniques. As a whole, the industry has developed in-store promotions and cooperative ad programs with produce departments emphasizing mushroom's low-calorie count and nutritional value. And instruction booklets directed at produce managers

Produce: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Produce	100.00	$15,978.65	$14,612.08	9.35	100.00	$4,985.34	13	31.2
Total	100.00	$15,978.65	$14,612.08	9.35	100.00	$4,985.34	13	31.2

% of total store volume . . . 7.76%

focus on care and handling and refrigeration technology required for in-store stock.

Encouraged by the 7 lb. per capita European consumption as against the 2 lb. per capita domestic intake, retailers say they are looking at an emerging United States market with endless opportunities.

Also making big gains in the past year is spaghetti squash, which in many markets has become a mainline item. Typically, prices start the season at around 50¢-55¢ lb. and by summer's end it's down around 12¢ lb.

Bulk vs. prepack: There is little debate among retailers that the trend back to more bulk produce has been largely successful.

"Three or four years ago almost everything was prepacked," says John Grant, vice president of produce sales and procurement at Boston-based Stop & Shop. "But consumer requests convinced us, somewhat reluctantly, to make a move to bulk."

The company, working with a grass roots consumer board, discovered that shoppers perceive bulk produce as better looking and smelling. What's more, small families wanted to buy just the amounts they needed, and were in fact resisting the large prepacks.

"There is also a credibility gap with packaging," says Grant. "No store knowingly packs poor produce. But if there's any spoilage, customers blame the store. Now they are picking their own, and produce complaints are virtually nonexistent."

As to the comparative costs, Grant argues they are self-canceling. "Packaging and labor are an expense, but on the other hand there is increased shrinkage with bulk, which tends to reduce weights." Most importantly, though, he says that business has grown at a faster rate since eliminating most of the prepacks.

the Green Scene
where you can pick and choose what's perfect for you...
fresh Sea food

Warehouse stores, while still representing a minute segment of the retail food universe, continue to gain consumer recognition as a source of cut rate food—and quality produce. But operators of these type units can't take success for granted.

"They must avoid the pitfall of low-priced, low-quality produce," says Jim Halloran, renowned consultant and formerly vice president at Red Owl Stores. "They should not become the dump for questionable quality."

Halloran further emphasizes that produce should get first position in the traffic pattern. And to gain a straight-from-the-farm look, it should be displayed in the original crates when possible.

Scanning: With the increased use of front-end scanning, bulk produce in many stores is being handled by a "set aside" category of numbers. Clerks use more than 250 "look-up-numbers" for fruits and vegetables; keyed into the register, the numbers are designed to give the supers the same type of information as scanner tags.

To acquaint checkers with unfamiliar varieties, produce identification kits are being made available by the Produce Marketing Association. Slides, an identification book and pictures are strongly suggested as educational tools.

New supplier: Adding to the growing list of nationally advertised brand names in produce, Kraft Food Co. is currently test-marketing three varieties of lettuce, cherry tomatoes and European cucumbers under the brand name of Sun Seasons.

The new venture, promoted via radio and newsprint ads, was introduced this May in Tucson, Ariz., and will debut this month in Phoenix. □

Name brands take aim at private labels, generic lines to protect turf; Reynolds goes national with plastic wrap

Ziploc
Hefty
Hefty
Reynolds
Reynolds
Reynolds
Reynolds

All eyes on new supplier as American Can leaves field

Two new entries—one a product, the other a company—grabbed the headlines in the $5.8 billion paper, plastic film and foil category. American Can's recent divestiture of its $1.2 billion paper products sector to Richmond, Va.-based James River Corp. is garnering most of the attention these days.

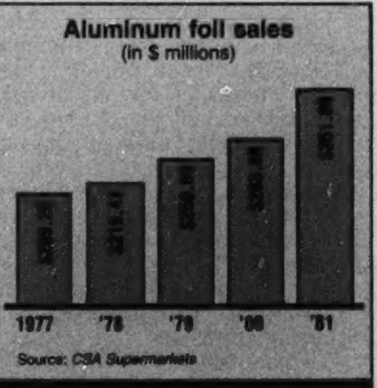
River, a leading producer of industrial printing, packaging and technical papers serving a broad cross section of industries, is picking up American's Dixie business, both consumer and institutional, as well as its Northern, Aurora, Gala, Brawny and Bolt lines, including operating plants and virtually all elements involved in the production of these lines.

The sale was precipitated by American Can's decision to divest itself of one of its capital-intensive sectors to free up monies for expansion into service-oriented businesses.

The strong consumer awareness and quality connotation of the American Can products will give the heretofore industrial-oriented River immediate entry into the consumer packaged goods market.

According to an American Can spokesman, River's plans for the newly acquired lines call for business as usual: "They've given no indication whatsoever that they plan to either discontinue or alter the basic marketing direction for any of these products."

The other top story in this important category comes from Reynolds Metals, which last February went national with its Reynolds Plastic Wrap, a product the aluminum wrap giant has obviously positioned to knock off the No. 1 premium wrap on the market, Dow Chemical's Saran Wrap.



Source: CSA Supermarkets

"We've been supplying the foodservice industry with plastic wrap for over 20 years," says product director Steve Stevens in explaining the rationale behind the new product. "We simply decided the time was right to make this product available to the consumer market."

Reynolds Plastic Wrap was test marketed for six months, primarily in the eastern region.

Reynolds has launched a massive campaign around the product, with commercials aimed primarily at establishing recognition and acceptance. A multifaceted promotional program includes buy-one-get-one-free offers, Reynolds Wrap tie-ins, coupons and special holiday promotions.

A spokesman for Dow Chemical says that while his company is hardly taking the Reynolds entry lightly, "we are firmly entrenched in the marketplace, and we intend to hold on to our No. 1 position." Saran Wrap owns an estimated 33.8% of the plastic wrap market.

Paper: In terms of retail volume, '81 was a good year for household paper products, with most subcategories posting gains in excess of 15%.

It should be noted, however, that gains in paper product categories can be attributed, in part, to extensive price increases in the fourth quarter, which tended to inflate the overall performance profile.

Leading suppliers say actual performance, in terms of case movement, was more in the neighborhood of 2%-3% growth for the year, which isn't bad considering the economic slump and a 100% saturation level for the category.

One burning issue that continues to plague leading brand manufacturers is to what extent generic and private label products will continue to gnaw away at market share held by nationally advertised brands.

Some industry observers feel the impact of generics has peaked. Selling Areas Marketing Inc. (SAMI) figures, on the other hand, show a continuing steady growth. According to the Time Inc. research arm, generic and private label products

Paper/Plastic Film/Foil: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Freezer Items	**0.72**	**$ 41.74**	**$ 24.82**	**68.17**	**1.24**	**$ 14.98**	**13**	**35.9**
Lunch & Sandwich-Size Bags	**2.63**	**151.05**	**115.24**	**31.07**	**3.43**	**41.31**	**10**	**27.3**
Plastic	1.97	113.29	85.10	33.13	2.51	30.25	9	26.7
Paper	0.66	37.76	30.14	25.28	0.92	11.06	1	29.3
All Other Size Bags	**14.05**	**808.93**	**657.77**	**22.98**	**17.80**	**214.65**	**49**	**26.5**
Paper	0.14	7.95	10.64	−25.27	0.33	3.99	3	50.2
Plastic	13.91	800.98	647.13	23.77	17.47	210.66	46	26.3
Roasting Bags & Wrap	**0.14**	**7.95**	**10.64**	**−25.27**	**0.17**	**2.09**	**2**	**26.3**
Plastic Wrap	**1.93**	**111.30**	**83.33**	**33.57**	**2.16**	**26.04**	**7**	**23.4**
Aluminum Foil Wrap	**6.11**	**351.80**	**283.68**	**24.01**	**5.19**	**62.62**	**11**	**17.8**
Wax Paper	**0.55**	**31.80**	**28.37**	**12.09**	**0.52**	**6.33**	**1**	**19.9**
Facial Tissue	**10.53**	**606.20**	**517.71**	**17.09**	**9.25**	**111.54**	**20**	**18.4**
Toilet Tissue	**25.33**	**1,458.86**	**1,248.17**	**16.88**	**19.60**	**236.34**	**28**	**16.2**
Paper Towels	**19.23**	**1,107.06**	**992.86**	**11.50**	**17.07**	**205.91**	**23**	**18.6**
Wet Napkins	**0.41**	**23.85**	**23.05**	**3.47**	**0.44**	**5.34**	**3**	**22.4**
Napkins	**7.08**	**407.45**	**329.77**	**23.56**	**7.13**	**85.97**	**20**	**21.1**
Plates & Bowls	**5.76**	**331.92**	**278.36**	**19.24**	**8.04**	**96.92**	**29**	**29.2**
Cups & Refills & Plastic Glasses	**4.63**	**266.33**	**219.85**	**21.14**	**6.36**	**76.97**	**28**	**28.9**
All Other Paper & Household Wrap Supplies	**0.90**	**51.68**	**34.32***	**50.58**	**1.58**	**19.07**	**12**	**36.9**
Total	**100.00**	**$5,757.92**	**$4,857.94**	**18.53**	**100.00**	**$1,206.09**	**256**	**20.9**

% of total store volume . . . 2.80%

*Revised 1980 figures

accounted for 18.6% of total paper goods sales in 1981, up from 16% in 1980.

One thing is certain: Premium brand suppliers are leaving nothing to chance. Instead, they're continuing with strategies aimed specifically at thwarting gains by the generic and private label segments.

In a major move early in the year, industry leader Procter & Gamble broke price on its Bounty paper towels. Other premium brand manufacturers immediately followed suit in a move obviously intended to bring paper towel prices back to that magic under-a-buck mark.

Leading suppliers Procter & Gamble and Kimberly-Clark are further countering inroads made by generic and private label brands by introducing their own economy lines. P&G's Summit line of tissues and towels is priced 25%-35% below the company's Bounty, Charmin and White Cloud lines and is already in wide distribution. Despite the fact that P&G does no national advertising of the line, it is nevertheless already highly recognized by retailers and consumers alike. Kimberly-Clark is enjoying similar success with its Hi-Dri value line.

Another strategy leading brand suppliers employ is to promote their brands as offering more value on a per use basis than so-called bargain brands, emphasizing such features as ply, absorbency, softness and durability.

While suppliers of premium brand products suggest the principal erosion by generic and private label products is taking place at the middle- and lower-price levels, Georgia-Pacific claims this is simply not the case. "We're projecting significant increases for our brands this year, certainly ahead of overall industry growth," says advertising manager Art Petrey.

The company is best known in the paper products category for its Coronet and Hudson lines of economy-priced products.

Petrey says the challenge lies in targeting a specific market segment and going after it.

The company has recently introduced a new line called Mr. Big, which is being test-marketed with full promotional backing in five major markets. National distribution is the eventual aim. The line consists of paper towel 3-packs, bathroom tissue 6-packs and 300-count napkin packs, and Petrey says both buyer and consumer acceptance have been very positive.

One category that could be a real sleeper in the paper products category is roasting bags and wrap. While *Chain Store Age* figures show a significant 25% decline in retail volume in 1981, Reynolds Metals, the category leader, says sales of its Reynolds Oven Cooking Bags actually increased last year.

Reynolds will be conducting a six-market TV test this year to educate consumers to the many benefits of cooking with the nylon bags. Based on the success of the test, the company may broaden the campaign. Stevens points out that until two years ago, the product was known as Reynolds Brown-In-Bag. "We decided Oven Cooking bag was a more accurate and appropriate name." ☐

While a few category lines are in dire need of get-well cards, most products are swimming in black ink

IOROUS
HUMOROUS
BIRTHDAY

Shoppers send greetings to tune of $150 million

Supermarkets may have been the last class of trade to explore the phenomenal opportunities in greeting cards, but as a group they have been far from reticent about latching on to a good thing.

In the last five years, the average supermarket has increased its greeting card space allocation 40%, and 85% of all new stores now have full-fledged greeting card sections. "I don't know of any new supermarket that's part of a major chain that isn't carrying cards," says Wynn Weaver, national sales manager for American Greetings. And the facts bear this out.

Today, supermarkets own an estimated 10% share of the $2.3 billion greeting card pie, up from 4% in 1974 and 7% in 1978. Major suppliers Gibson/Buzza, Ambassador and American Greetings project that in the coming decade supermarkets could well wrap up the lion's share of volume.

"Our volume with supermarkets increased 88% last year alone," says Gibson vice president H. W. Halvorson, "and we're expanding even more rapidly this year."

"Supermarkets are the fastest-growing channel of distribution for greeting cards," confirms Ambassador Cards' Eric Morgenstern.

The category can be a profit powerhouse for any retailer, but for profit-starved supermarkets it can be the equivalent of a lifeline. A well-managed 60-ft. section can easily generate up to 13% of a store's annual gross margin.

Greeting cards carry a full keystone markup, average six or more turns a year and can easily generate $600-$700 per square foot. Peripheral lines—gift wrap, party supplies and candles—are equally important, contributing about 30% of a section's sales and generating even greater turns, from 10 to 12.

With 52% of all American women between the ages of 19 and 59 gainfully employed outside the home, it's easy to see why supermarkets are booming in the card business.

The average woman is in a supermarket three times a week. She shops the store seven to eight times more frequently than other retail outlets, and she shops with intent to purchase. With less discretionary time available to her, she wants to do as much of her shopping as she

Cards, Stationery, Supplies: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Greeting Cards, Gift Wrap	**23.69**	**$150.00**	**$109.05**	**37.62**	**3.92**	**$ 64.20**	**8**	**42.8**
Stationery and School Supplies	**76.31**	**504.87**	**519.63**	**– 2.83**	**78.15**	**229.56**	**267**	**47.3**
Envelopes	6.28	39.75	40.78	– 2.52	8.37	19.99	14	50.3
Tape	10.36	65.59	54.96	19.34	12.88	30.76	22	46.9
Fillers	5.03	31.80	30.14	5.51	4.79	11.45	4	36.0
Pens, Pencils, Felt Tips	14.45	91.43	72.69	25.78	18.80	44.98	49	49.2
Tablets [Incl. Steno Pads]	5.97	37.76	35.46	6.49	8.08	19.30	19	51.1
Stationery	1.57	9.94	10.69	– 7.01	2.09	4.99	6	50.2
Crayons, Chalk, Markers	2.51	15.90	19.50	– 18.45	3.25	7.76	9	48.8
Binders	1.89	11.93	10.64	12.12	2.07	4.94	7	41.4
Subject, Theme Notebooks	5.34	33.79	30.14	12.11	6.94	16.59	15	49.1
Paste, Glue, Mucilage	3.12	19.88	19.50	1.95	4.26	10.18	10	51.2
Memo, Scratch Pads	2.82	17.89	14.88	20.23	3.86	9.21	11	51.5
Typing, Tracing, Graph, Carbon Paper/Pads	0.94	5.96	7.09	– 15.93	1.02	2.43	2	40.8
Twine, Labels, Brown Wrapping Paper	0.63	3.98	1.77	124.86	0.81	1.93	4	48.5
Ink*	0.32	1.99	0.00	0.00	0.46	1.11	3	55.6
Rulers, Compasses, Protractors	0.32	1.99	2.78	– 28.41	0.43	1.03	5	51.8
Art Materials, Paints, Brushes	0.94	5.96	3.55	67.89	1.25	2.99	7	50.1
Erasers, Eradicators	0.63	3.98	3.24	22.84	0.90	2.14	5	53.8
Sharpeners, Staplers, Staple Removers, Paper Scissors	0.63	3.98	4.91	– 18.93	0.81	1.93	8	48.6
Rubber Bands, Clips, Pins, Staples, Fasteners	0.63	3.98	3.55	12.11	0.96	2.29	6	57.5
Folders, Files, Index Cards	2.51	15.90	8.86	79.46	3.12	7.46	12	46.9
Playing Cards, Chips	1.57	9.94	8.86	12.19	1.92	4.59	7	46.2
All Other Stationery Supplies	7.85	49.69	26.59	86.87	9.01	21.52	34	43.3
Total	**100.00**	**$633.01**	**$519.63**	**21.80**	**100.00**	**$293.76**	**267**	**47.3**

% of total store volume . . . 0.32%

*New subcategory

can in one convenient stop.

Today, over 65% of all supermarkets stock greeting cards, with an average space allocation of 40 linear feet. Major suppliers, however, say that to be truly viable a greeting card section should be at least 60 linear feet, with at least one-third of this space devoted to peripheral lines. A growing number of supers sport even larger departments—up to 120 linear feet. This is particularly prevalent in stores that emphasize general merchandise lines in general.

To fully capitalize on the impulse purchase, Ambassador's Morgenstern suggests retailers position their greeting card sections in high-traffic, high-visibility areas. "The 4-ft. section in the back of the store just doesn't cut it."

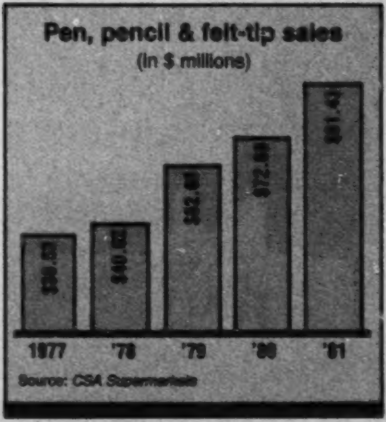
According to Gibson/Buzza president Thomas Cooney, placement of Buzza's Everything Up program in supermarkets was up 64% last year. Buzza's unique system is characterized by zero understock, a method the company claims can slash inventory costs 40% while boosting turns 240% and sales 43%. "We've had exceptional response to this program," says Cooney.

"Our experience is that departments are getting larger," says Gibson's Halvorson. "More and more supermarkets are finding it to their advantage to expand their general merchandise offerings, and greeting cards is one line that has proven to be very expandable and profitable. Our Garfield cards and products are red-hot. A 12-ft. Garfield display is the hottest thing a supermarket can have today."

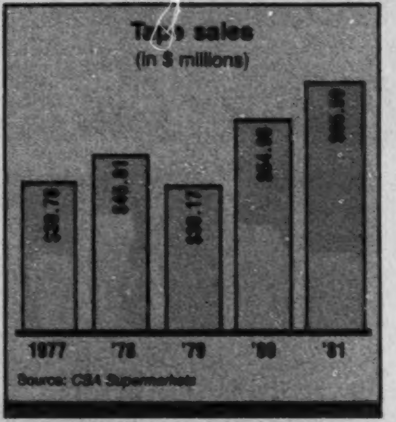
The fact is, greeting cards, as an industry, is booming. Whether reflective of the times or a credit to the design and merchandising genius of greeting card companies, the American consumer has gone greeting card-crazy. Total industry sales were up 30% in 1981, and equivalent gains are anticipated this year.

Despite this heyday, one major supplier has collapsed. A stalwart of the industry, Norcross recently took its place among a growing number of corporations that have succumbed to economic pressures.

Norcross's demise has left a number of supermarketers in the lurch,



Source: CSA Supermarkets



Source: CSA Supermarkets

but leading suppliers say they're ready and willing to fill the void. The coming year will undoubtedly see some interesting changes in this industry.

Stationery, school supplies: Greeting cards may be a bright spot but supermarkets continue to display ambivalence about stationery lines.

As a rule, chains that have made a real commitment to stationery and school supply lines, in terms of space, inventory dollars and promotion, tend to reap rewarding results from the category, generating 40%-45% margins and sales per square foot upward of $200.

For the most part, though, leading suppliers think supermarkets are missing the boat. The same factors that have made them wildly successful in greeting cards, they say, could bring them equal success in stationery lines.

A particularly bright spot in this high-margin category is home office supplies. The market for these products soared past the $750 million mark last year, and projections are for continued high-flying performance.

Indicative of this growth, supermarket sales of folders, files and index cards zoomed 79%, on top of 41% increase in '80. Many chains report annual increases of 20%-30%; apparently, consumers are taking advantage of supermarkets to satisfy their home office needs.

Supermarkets currently own an estimated 15%-20% of the writing instrument market, a market characterized by product proliferation and fierce price wars among competitive suppliers.

Scripto, a company that in the last five years has significantly improved its market position, has targeted supers as a prime growth area for the 80's.

This year Scripto will sink over $7 million into back-to-school advertising and promotion, spotlighting its erasable pens and ultra-thin mechanical pencils.

Erasable pens are the industry's fastest-growing segment. In just three years erasables have skyrocketed to claim an estimated 20% of total writing instrument sales.

Scripto marketing vice president Richard Brett looks for unit sales of erasable pens to grow another 50% in '82, topping the $130 million mark by year-end. Retail sales, he says, should increase 40% to $155 million. "For the third year in a row erasables are the No. 1 growth writing instrument," Brett adds, "in sharp contrast to the 3% growth projected for all other writing instruments combined."

Roller pens are another fast-growing segment of the writing instrument industry, posting a 30% volume increase last year.

BIC owns an estimated 28% of the roller pen market and is sinking a reported $11 million into the advertising and promotion of its roller pen line, featuring its Fine Point BIC Roller.

Pentel is touting its new Stinger plastic-tip pen, which holds 42% more ink and lasts 55% longer than other porous-point pens, in a major media blast.

BIC and PaperMate continue to slug it out for dominance in the stick pen category. Once owning a secure 80% of this market, BIC has slipped in recent years due, to a great extent, to PaperMate's relentlessly aggressive advertising of its Write Bros. line. BIC currently has an estimated 60% of the $120 million stick pen market, but a number of distributors now say they're moving as many Write Bros. as BIC's, an indication that BIC's footing may still be shaky.

Scripto is the sales leader in mechanical pencils, and Brett points out that the market for this product is actually greater in size than the highly publicized roller pen market. Mechanical pencils weighed in last year at $59.3 million, compared to $56 million for roller pens.

Ultrathin pencils are gaining in popularity, with sales doubling almost every two years. In 1980, 26.8% of all mechanical pencil sales came from ultrathin models, compared to a mere 3.3% in 1974. ☐

Heavy-duty gains by suds, detergents and softener combos help supers clean up over $6 billion in sales

Soaps capture highest ratings in category comeback

Household supplies performed beautifully for retailers in 1981, despite the force of a powerful recessionary tide.

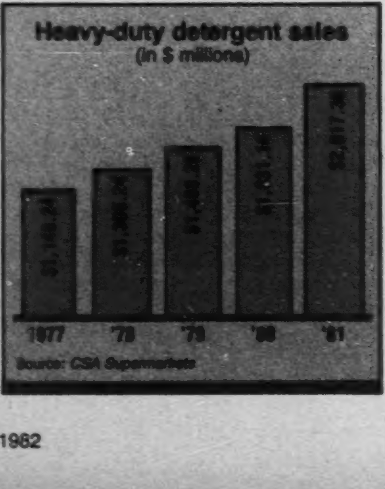
Following a modest inflationary increase of 12.86% in 1980, the category came back strong in '81, posting a year-end increase of 20%, from $6.3 billion to $7.6 billion.

Setting the pace were soaps and detergents, with a 22.87% volume gain. Heavy-duty detergents posted the highest gain for the year, 23.68%.

In the $2 billion heavy-duty detergent category, the only major new product this year is Procter & Gamble's Solo, a liquid detergent/fabric softener combination.

Indicative of the growing popularity of detergent/fabric softener combos, Texize reports exceptional consumer response to Yes, its heavy-duty detergent with fabric softener. Responding to recessionary trends, Texize has shifted much of its advertising dollars into promotional expenditures this year.

Colgate-Palmolive has reportedly invested over $60 million since early 1980 in the advertising and promotion of Fresh Start, its newest entry in the heavy-duty detergent category. The brand is positioned as combining the best of powders and liquids.



Fresh Start has become Colgate's largest-selling heavy-duty detergent, currently owning a 5% market share, ahead of Fab (2.4%), Dynamo (2.4%) and Cold Power (1.6%).

Fresh Start's position in the overall category is eighth, tied with Purex. The top seven sellers are Procter & Gamble's Tide and Cheer, Lever Bros.' Wisk and All and Procter & Gamble's Bold, Era and Oxydol.

In the $665 million light-duty detergent category, Lever Bros.' Sunlight, introduced in 1981 on a regional basis, is now in national distribution. Lever fully expects the lemon-formula dishwashing liquid to earn a place among the top five sellers in this category.

Prior to this year, Lever had not been much of a factor in the dishwashing liquids market, with Dove and Lux owning a combined market share of only 6%. The company is now sinking millions into the advertising and promotion of Sunlight, though, taking on top contenders Ivory, Joy, Dawn and Palmolive.

Sunlight is the first major introduction in this category since Dawn was introduced by Procter & Gamble in the mid-70's. The company continues to dominate the category with a 43% market share from Ivory (17%), Dawn (13.5%) and Joy (12.5%). Colgate's Palmolive brand dishwashing liquid captures a 12.5% share.

Ivory and Colgate both have taken on generic and private label brands by heavily advertising the fact that premium-priced brands are actually more economical to use than bargain brands.

So successful have they been in conveying this message to consumers that generic and private label dishwashing liquids have, in fact, lost ground. Once boasting a 40% market share, generic and private label liquids have slipped to 30%.

For 13 years Procter & Gamble has diligently chipped away at this market segment with its Ivory Liquid campaign. Last year alone the soap giant spent $12 million to get its story across to consumers. In addition, the company put $10 mil-

Household Supplies: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Soaps & Detergents	51.64	$3,923.41	$3,193.12	22.87	40.91	$ 659.59	212	16.8
Laundry & Ironing Aids	14.39	1,093.15	943.21	15.90	13.31	214.58	115	19.6
Cleansers	18.65	1,417.12	1,207.40	17.37	21.73	350.39	182	24.7
Waxes & Polishes	4.26	324.00	286.71	13.01	6.18	99.36	84	30.7
Cleaning Implements	5.23	397.53	345.61	15.02	8.96	144.36	100	36.3
Miscellaneous	5.83	443.22	355.71	24.60	8.91	143.76	100	32.4
Total	100.00	$7,598.43	$6,331.76	20.00	100.00	$1,612.04	793	26.8

% of total store volume . . . 4.33%

lion and $8 million behind Dawn and Joy, respectively.

Colgate spent $6 million in '81 promoting Palmolive and an additional $4 million trying to boost Dermassage's market share from 4%.

P&G is currently testing a new dishwashing liquid that could revolutionize the category. Cinch, with built-in abrasives, is formulated for heavy-duty dishwashing chores.

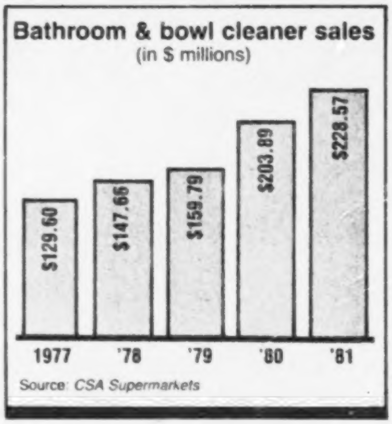
Automatic dishwasher products are also on the rise, posting a 21% volume gain in '81. With 40% of all United States households now having automatic dishwashers, annual growth is expected to continue at a 20%-25% rate.

Liquid soap: Despite the hoopla, liquid soap sales have yet to come into full bloom. Since its mid-1980 introduction, Minnetonka's Softsoap has whittled away at the $1 billion bar soap market. The company spent a reported $15 million in advertising and promotion in 1981 alone. Despite this effort, the market for liquid soaps has remained fairly static, climbing an inflationary 12% in the past year.

This lackluster performance can be attributed to a great extent to the fact that the big three soap companies have yet to get involved.

Procter & Gamble has been teasing retailers and market analysts alike with the promise of rolling out nationally with a new product in this category. Rejoice, ironically bearing the same name as a P&G shampoo that failed twice in testing, has been in the test-marketing stage of development for well over a year, leaving industry analysts to speculate as to the hold-up.

A major national launch by Procter & Gamble could prove to be just the stimulus this category needs to get off the ground. It's a safe bet that if P&G does put a major effort behind a liquid soap product, chief competitors Colgate and Lever are sure to follow suit with similar products. And Armour-Dial is already testing a new liquid soap product.


Bathroom & bowl cleaner sales
(in $ millions)

Source: *CSA Supermarkets*

Combined, these four companies could quickly wrap up a 70%-90% market share and boost the liquid soap category to as much as $400 million in the next five years, according to industry projections.

The household cleansers category lost ground slightly this year, posting a 17% volume increase after a 20% increase in 1980.

Deodorizers and disinfectants were up significantly, from a 4% increase in 1980 to 13% in '81, possibly reflecting increased TV exposure and the growing popularity of products like Mr. Culver's Sparklers and Stick-Ups.

General household cleaners showed modest growth. Particularly outstanding in '81 were aerosol-type cleaners. Scouring powders and special purpose cleaners, though, lost ground last year.

According to a report by the Charles H. Kline Company, a New Jersey marketing firm, growth in household cleaning product sales has slowed due to less frequent housecleaning by women working outside the home coupled with increased consumer price sensitivity.

The firm estimates that real dollar growth in the category will average only about 2.5% per year through 1986. The firm further projects that waxes and polishes will grow at the slowest rate. Products that offer convenience in performance, packaging or form, as well as products that offer true value, will be the winners.

In-tank cleaners: One category pegged by Kline as having real growth potential is in-tank bowl cleaners—this despite the fact that the category lost significant ground recently due to negative publicity regarding the possible corrosive effects of the products on toilet plumbing parts. Following a 27% increase in 1980, bowl cleaner growth slipped to 12% this past year.

Prior to the controversy, the in-tank toilet bowl cleaner market had been growing at an average 15% per year. Soon after the controversy surfaced, growth slowed to about 5%.

Leading manufacturers responded immediately with full-blown campaigns aimed at dispelling the negative reports and regaining the consumer's trust. As a result, sales have picked up once again and, while they haven't yet fully re-

Soaps & Detergents: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Liquid Soaps	1.42	$ 55.65	$ 49.64	12.11	2.50	$ 16.47	11	29.6
Bar Soap	18.19	713.53	593.94	20.14	20.62	136.06	57	19.1
Face Size	5.32	208.69	179.07	16.54	5.47	36.10	15	17.3
Bath Size	12.87	504.84	414.87	21.69	15.15	99.96	42	19.8
Hand Cleaners	0.76	29.81	7.09	320.45	1.21	7.96	10	26.7
Children's Bubblebath	0.15	5.96	5.32	12.03	0.28	1.82	2	30.6
Soap Powders/Flakes/ Washing Sodas	0.86	33.79	31.91	5.89	0.88	5.78	2	17.1
Automatic Dishwasher Items	8.92	349.81	289.00	21.04	10.30	67.96	17	19.4
Detergents	8.51	333.91	278.36	19.96	9.72	64.11	15	19.2
Rinses	0.41	15.90	10.64	49.44	0.58	3.85	2	24.2
Heavy-Duty Detergents	51.41	2,017.36	1,631.14	23.68	43.82	289.05	69	14.3
Powder, Controlled Suds	20.56	806.94	703.87	14.64	17.37	114.59	35	14.2
Powder, High Suds	19.25	755.27	570.90	32.29	16.03	105.74	18	14.0
Liquids	11.60	455.15	356.37	27.72	10.42	68.73	16	15.1
Light-Duty Detergents	16.97	665.83	542.53	22.73	18.37	121.20	40	18.2
Powder	0.56	21.86	23.05	– 5.15	0.41	2.71	1	12.4
Liquid	16.41	643.97	519.48	23.96	17.96	118.49	39	18.4
Laundry Bar Soaps	0.15	5.96	7.09	– 15.93	0.23	1.50	1	25.1
Special-Purpose Laundry Detergents	1.17	45.71	35.46	28.91	1.79	11.79	3	25.8
Total	100.00	$3,923.41	$3,193.12	22.87	100.00	$659.59	212	16.8

% of total HHS volume . . . 51.64%

covered, in-tank cleaner sales are expected to reach the $325 million mark by 1985, according to Packaged Facts, a New York City-based research firm.

Despite adverse publicity, in-tank cleaners have substantially eroded in-bowl cleaner sales. Prior to 1960, in-bowl cleaners accounted for 95% of total toilet bowl cleaner sales. Today, they account for 40%.

Cleaning implements: In contrast to the slight decline in the growth rate of cleansers, waxes and polishes, cleaning implements posted a healthy comeback this year, up 15% compared to 3% in 1980.

Murray Applebaum, president of Selecto Products, a New York-based service merchandiser, suggests this increase can be attributed in part to increased trade in urban areas where there's a high rate of transiency.

Applebaum says brooms and mops, as a category, posted impressive gains last year, with cotton setting the pace over rayon in mops and angular and plastic brooms selling best.

Scrubbers with detergent-release capability were solid performers, as were Teflon-coated pads and Silverstone-type brushes.

Insecticides, pesticides and repellents posted substantial growth in '81, up almost 34%, and is a category targeted by leading market research firms as having solid growth potential in the 80's.

According to a Frost & Sullivan report, supermarkets today account for 69% of all household cleaning supply sales, with the average supermarket stocking 207 brands and sizes of cleaners.

Evaluating the market by product type, the firm reports that five categories control nearly two-thirds of retail sales—light-duty detergents (25%), general household cleaners (13%), automatic dishwasher products (10%), bathroom/bowl cleaners (9%) and liquid bleach (8%).

Kline looks for 10 leading suppliers of household products to continue to dominate the market with 73% of total sales.

Furthermore, Kline expects generic and private label brands to make significant market share gains in the years ahead. Consumers, the report suggests, are showing more willingness to trade down from nationally advertised brands and are cutting back on purchases of products not considered necessities.

In contrast, Jack Salzman, vice president, Smith Barney Harris and Upham, thinks sales of generic and private label household cleaning aids have peaked, which could bode well for name brands in the years ahead.

A spokesman for A&P, however, suggests there's real growth ahead for private label and generic home cleaning products. "So far, most of the growth in generics has come at the expense of private label, rather than national brands. This could change dramatically, though," he says. "Major suppliers really don't spend that much past the initial introduction to maintain their franchise with consumers. This, combined with increasing price-consciousness on the part of the consumer, could lead to less brand loyalty in the future." ☐

On the plus side, shoppers trade up to high-ticket items; on the minus side, inflation masks most real gains

Health & Beauty Aids
Baby Needs · Health & Beauty
Cards · Stationery

Health and beauty: more than meets the eye

America's obsessive quest for a close shave, dark tan and slim body helped boost health and beauty aid sales in supers to $10.4 billion last year, up 14.23% over 1980.

Enticing margins of up to 58% convinced many buyers to support H&BA with generous footage and full-page ad features, despite the category's relatively low turns. And manufacturer backup, whether through cents-off coupons, co-op dollars, consumer advertising or buying incentives, gave H&BA the fuel it needed to break the $10 billion mark in 1981.

With more than 53% of all women in the labor force, the convenience of one-stop shopping remains the primary reason consumers put their H&BA dollars down in food stores last year. Wider H&BA assortments, regular promotions and competitive prices served to bolster in-store traffic.

But with all the activity, a 14% increase is a modest gain at best, especially when much of the dollar volume gains were linked to price increases, or movement in larger "economy" sizes—which slowed down H&BA turns even more. So while retailers tried to recoup their H&BA inventory investments, shoppers discovered that a 32-oz. bottle of mouthwash goes a long way—and is relatively a lot cheaper than its 16-oz. counterpart.

Retail analysts point to several factors behind H&BA's mediocre performance last year. First, the economy. Recession-battered shoppers traded down in many H&BA product categories, a trend that put extreme pressure on middle price points, particularly in cosmetics and fragrances.

The flip side of that trend were the many shoppers who traded *up* to very high price points. The mid-

Health & Beauty Aids: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Hair Care	16.71	$ 1,745.09	$1,624.32	7.44	19.07	$ 536.11	540	30.8
Creams & Lotions	5.78	604.21	500.52	20.72	6.58	185.06	185	30.6
Oral Hygiene	14.08	1,470.79	1,397.11	5.27	12.75	358.33	174	24.4
Hygiene Needs	13.95	1,456.89	1,251.71	16.39	13.00	365.30	223	25.1
Medications	21.95	2,293.07	1,924.45	19.15	24.39	685.61	534	29.9
Men's Toiletries	6.53	681.87	670.52	1.69	6.84	192.32	135	28.2
Baby Needs	15.80	1,618.45	1,266.21	27.82	10.21	286.84	128	17.7
Cosmetics	3.09	323.06	279.70	15.50	4.14	116.50	382	36.1
First Aid	2.41	251.30	228.30	10.10	30.10	84.55	76	33.6
Total	100.00	$10,444.73	$9,142.84	14.23	100.00	$2,810.62	2,377	28.5

% of total store volume . . . 5.25%

ticket products, bloated by price increases, suddenly seemed unattractive to many consumers, who reasoned that "for a few more dollars I can buy a designer fragrance/lipstick/eye shadow." Some supers, like Alpha Beta on the West Coast, captured these shoppers with cosmetics selections that include Halston, Ralph Lauren and Christian Dior.

Another factor behind H&BA's less-than-impressive dollar volume was the success of certain private label and generic products. Those H&BA shoppers who traded down often turned to generic lines. The growth in generic products like nail polish remover, baby powder and aspirin may have helped buoy H&BA unit movement, but it also helped drag down dollar volume.

SAMI (Selling-Areas Marketing Inc.) reports that generic H&BA pulled in almost $20 million in sales last year, representing nearly 12% of the total market. SAMI studies show that at least five generic H&BA categories grabbed over 6% of their respective markets last year: external analgesics (11.8%), baby powder (7.9%), first aid products (7.6%), vitamins (7.6%) and baby oils, creams and lotions (6.2%).

Bracing for boom time: When the economy rebounds (and the experts assure us it will) generic and low-ticket H&BA will inevitably suffer, since their success has always depended on shrunken consumer budgets. Industry observers predict that low-end H&BA companies will respond to tomorrow's economic growth by consolidating lines, upgrading products or reworking marketing strategies.

The top five categories in terms of dollar volume last year were: disposable diapers, $1.09 billion; dentrifices, $834.77 million; shampoos, $787.07 million; sanitary goods, $687.70 million, and deodorants and antiperspirants, $679.75 million.

Those categories are solid winners, year after year. But retailers are also looking for those products whose growth (even from a relatively low base) pumps excitement into the H&BA business, such as: suntan products (up 82.92%), eye care (up 55.06%), diet aids (up 46.4%), foot care (up 30.05%), medicated and specialty bar soaps (up 29.33%) and vitamins (up 26.35%).

Vitamins and tonics: As more consumers plugged into the health and fitness movements last year, vitamins and tonics hit $405.46 million, a 26.35% increase over 1980. Much of that was due to price increases, especially in natural vitamins, but there was real growth (unit volume) of 12.7%, according to Towne-Oller.

Vitamins and tonics accounted for 17.36% of the total H&BA medications category. With average gross margins of 36.8%, they represented almost 22% of department profits, the third highest profit percentage (after pain relief and cold symptom relief). Supermarkets had an average assortment of 134 sku's at the warehouse level, the highest assortment in the H&BA medications category.

Industry observers say that vitamins will grow even more next year as many chains establish in-store nutrition centers, areas that merchandise everything from vitamins to "natural" shampoo. Vons, Big Bear, Kroger and Safeway are a few of the chains committed to nutrition centers.

Even generic and private label vitamins are riding the crest of the health movement, if only on a region-by-region basis. SAMI reports that generic vitamins currently own 7.6% of the total market, and private label a whopping 35.2% share.

There may be some changes ahead for children's vitamins. Long dominated by Miles Laboratories' Flintstones and Bugs Bunny lines, the $80 million market hasn't held many surprises.

But this summer Rexall Corp. rolls out its Minuteman multivitamin line to food chains (supers have almost half of the kids' vitamin market) with the hope it will garner a significant share. The product, which actually made its original debut last year but was pulled back for redesigning, is looking to fill two voids: It's a children's chewable that provides 100% of the United States recommended daily allowance specifically for school age kids; and it claims to be priced 25% below the competition, while offering retailers the same markup as higher-priced brands.

At this late date, many retailers still haven't heard about Rexall's entry into the children's vitamin market, which is precisely why the company is now concentrating its efforts in trade advertising and test-marketing.

OTC chewables still own a hefty 54% of the kids' vitamin market, with OTC drops, Rx drops and Rx chewables dividing the balance fairly evenly. Oral liquids have a slim 2% of total children's vitamin sales.

H&BA/Creams & Lotions: 1981 Performance—$2 Million Supermarkets

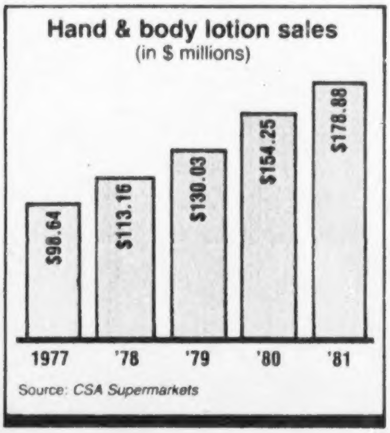
	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Medicated Creams, Lotions & Soaps	**26.97**	**$162.97**	**$152.48**	**6.88**	**27.93**	**$ 51.71**	**51**	**31.7**
Acne Preparations	12.83	77.51	76.24	1.67	13.40	24.80	20	32.0
All Other Medicated Creams & Lotions	9.21	55.65	53.19	4.62	9.83	18.20	19	32.7
Medicated & Specialty Bar Soaps	4.93	29.81	23.05	29.33	4.70	8.71	12	29.2
Suntan Products	**13.49**	**81.49**	**44.55**	**82.92**	**14.00**	**25.91**	**38**	**31.8**
Beauty Creams & Lotions	**50.66**	**306.08**	**265.95**	**15.09**	**48.69**	**90.07**	**79**	**29.4**
For The Face	21.05	127.20	111.70	13.88	19.38	35.87	28	28.2
For Hand & Body	29.61	178.88	154.25	15.97	29.31	54.20	51	30.3
Depilatories & Ladies' Shaving Supplies	**5.92**	**35.78**	**28.68**	**24.76**	**6.01**	**11.13**	**10**	**31.1**
All Other Creams & Lotions	**2.96**	**17.89**	**8.86**	**101.92**	**3.37**	**6.24**	**7**	**34.9**
Total	**100.00**	**$604.21**	**$500.52**	**20.72**	**100.00**	**$185.06**	**185**	**30.6**

% of total H&BA volume . . . 5.78%

Creams and lotions: In the ongoing search for eternal youth, more consumers are looking in supermarket H&BA departments. Creams and lotions hit $604.21 million in dollar volume last year, a 20.72% jump over 1980.

The star in that category was beauty creams and lotions, which climbed 15.0% to $306.08 million. With gross margins of 29.04%, they accounted for 48.69% of category profits and 50.66% of sales.

Oil of Olay got a run for its money with the entry of Aapri, Gillette's successful attempt to cross over from hair to skin products. Aapri's gimmick: ground apricot pits and a $9.3 million ad campaign that helps establish Aapri's image of clean, fresh skin.



Hand & body lotion sales
(in $ millions)

Source: *CSA Supermarkets*

Another Gillette success was Silkience moisturizer, an offshoot of the Silkience shampoo and conditioner line. Like the hair products, Silkience moisturizer stresses its scientific "self-adjusting" ability. Aapri's rapid ascension in beauty lotions helped it capture over 8% of the market. Silkience, meanwhile, garnered a significant 3.5% share.

In unit volume, Towne-Oller shows across-the-board gains for lotions and creams: hand lotions up 11.9% and body lotions up 9%. Contributing to the gains was the infiltration of collagen, formerly a department store beauty cream ingredient.

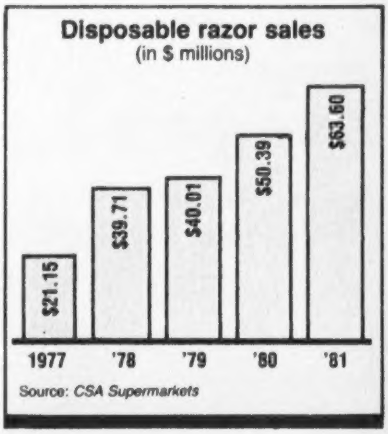
More consumers equated a dark tan with good health, boosting suntan product sales 82.92% to $81.49 million in 1981, the highest dollar volume growth of all H&BA lines. Contributing to the gains was the availability of more sunscreen products, which helped ease consumers' fear of premature aging.

With gross margins of 31.6%, suntan products accounted for 13.49% of category sales and 25.91% of profits. Most of the dollar growth was linked to price increases and sales in large-size products. Interestingly, the sales gains were accomplished with fewer sku's: Assortments at the warehouse level dropped from 42 in 1980 to 38 last year.

Men's toiletries: Both unit and dollar performances indicate that more men abandoned their traditional razors in pursuit of convenience last year. Towne-Oller reports that single, double and coated blades fell as low as 29% in unit volume. Total razor blade dollar volume dropped 5.61%.

The other side of that trend, of course, was the solid gain in disposable razors. Dollar volume climbed 26.22%, and unit volume, according to Towne-Oller, was up a sturdy 10.5%.

The total aerosol shave cream market saw dollar volume gains of 27%, but unit volume drop inched ahead only 2%—though it's quite possible that if it weren't for gener-



Disposable razor sales
(in $ millions)

Source: *CSA Supermarkets*

H&BA/Toiletries: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Shaving Cream	**18.09**	**$123.37**	**$112.33**	**9.83**	**18.24**	**$ 35.07**	**37**	**28.4**
Brushes & Lather	0.31	2.12	2.41	−12.02	0.34	0.65	3	30.8
Aerosol, Plain	9.62	65.59	62.05	5.71	9.79	18.82	14	28.7
Aerosol, Special Scents	7.58	51.68	42.55	21.46	7.55	14.52	19	28.1
Aerosol, Hot Lather	0.58	3.98	5.32	−25.18	0.56	1.08	1	27.0
Razor Blades	**42.56**	**290.18**	**307.45**	**− 5.61**	**39.53**	**76.03**	**28**	**26.2**
Razor & Razor Kits	**9.62**	**65.59**	**69.15**	**− 5.14**	**10.20**	**19.61**	**10**	**29.9**
Disposable Razors	**9.33**	**63.60**	**50.39**	**26.22**	**10.12**	**19.46**	**7**	**30.6**
Pre- & After-Shave Lotions	**9.62**	**65.59**	**63.83**	**2.76**	**10.57**	**20.33**	**25**	**31.0**
Cologne	**2.62**	**17.89**	**12.41**	**44.16**	**2.86**	**5.49**	**10**	**30.7**
Hair Care Products	**6.12**	**41.74**	**40.78**	**2.35**	**6.53**	**12.56**	**13**	**30.1**
All Other Men's Toiletries	**2.04**	**13.91**	**14.18**	**− 1.89**	**1.95**	**3.76**	**5**	**27.0**
Total	**100.00**	**$681.87**	**$670.52**	**1.69**	**100.00**	**$192.32**	**135**	**28.2**

% of total H&BA volume . . . 6.53%

Brylcreem
Groom Clean
PALMOLIVE
AQUA VELVA
edge
Razor Blades

ics and private label gains, unit volume would have suffered significant declines. Generic shave cream unit volume skyrocketed to 287.1% gains over 1980. Private label unit volume forged ahead by as much as 24%, according to Towne-Oller.

Medications: More Americans played doctor last year, foregoing costly medical bills and turning to OTC remedies. That practice, coupled with price hikes, helped raise pain, stomach and cold relief sales an average of 25% to a combined $1.57 billion.

Pain relief had the highest dollar volume of all H&BA medications and ranked fifth among all H&BA products. The category hit $677.75 million last year, a 14.80% gain over 1980, accounting for 29.02% of total department sales. Internal pain relief products represented almost 91% of the entire category sales.

As the price of pain relief edged forward, more consumers tried to save money with generic and private label analgesics. Private label internal and external pain relief products currently have 27% of the market, which is actually a 4% drop since last year, according to SAMI. Where did that 4% go? It's possible that some shoppers traded down even further to generic analgesics, which increased 6% in market share to 13% this year.

Cold relief sales were up 12.10% to $47.61 million last year. With an average gross margin of 30.4%, cold relief products accounted for 22.64% of H&BA medication sales. Pills and capsules registered $214.66 million, cough and sore throat products pulled in $192.79 million and all other cold and allergy symptom relief products grossed $121.34 million.

Unit growth, however, dipped 14.4%, according to Towne-Oller, and the outlook for 1982 isn't much better. A relatively mild winter this year helped consumers stay healthy, but it infected cold relief sales. This year was reported as the worst season in 30 years for advertised cold remedy brands. Towne-Oller's first-quarter audit shows that the category dropped 13.9% in unit volume compared with first-quarter results in 1981.

Cough medicine was hardest hit with a 17.5% unit volume drop; tablets and capsules were down 15% and liquid cold medicines dropped 13%. One of the rare success stories this winter was Johnson & Johnson's Co-Tylenol, whose share of the cold relief category grew to 7%.

Some industry analysts say that future growth will come from multi-symptom products, as companies attempt to duplicate the success of Bristol-Myers' Comtrex, whose market share now exceeds 5%.

Stomach relief sales jumped 20%

H&BA/Medications: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Stomach Relief	**16.07**	**$ 368.56**	**$ 307.11**	**20.01**	**14.94**	**$102.41**	**84**	**27.8**
Antacids	11.18	256.39	209.21	22.55	10.28	70.51	47	27.5
Laxatives	3.94	90.31	78.40	15.19	3.64	24.93	32	27.6
All Other Stomach Relief Products	0.95	21.86	19.50	12.10	1.02	6.97	5	31.9
Cold Symptom Relief	**23.06**	**528.69**	**471.61**	**12.10**	**23.41**	**160.50**	**119**	**30.4**
Pills & Capsules	9.36	214.66	191.46	12.11	9.05	62.04	43	28.9
Cough & Sore Throat Products	8.41	192.79	184.39	4.56	8.77	60.15	46	31.2
All Other Cold/Allergy Symptom Relief	5.29	121.24	95.74	26.63	5.59	38.31	30	31.6
Pain Relief	**29.56**	**677.75**	**590.40**	**14.80**	**24.25**	**166.29**	**89**	**24.5**
Internal	26.79	614.15	521.25	17.82	21.23	145.55	70	23.7
External	2.77	63.60	69.15	– 8.02	3.02	20.73	19	32.6
Stimulants & Sedatives	**1.39**	**31.80**	**28.37**	**12.09**	**1.46**	**10.02**	**9**	**31.5**
Vitamins & Tonics	**17.68**	**405.46**	**320.91**	**26.35**	**21.76**	**149.21**	**134**	**36.8**
Foot Care	**2.51**	**57.64**	**44.32**	**30.05**	**3.09**	**21.15**	**45**	**36.7**
Eye Care	**3.47**	**79.50**	**51.27**	**55.06**	**3.79**	**26.00**	**22**	**32.7**
Rubbing Alcohol & Witch Hazel	**1.56**	**35.78**	**28.37**	**26.12**	**1.78**	**12.20**	**6**	**34.1**
Diet Aids	**1.84**	**42.30**	**28.90***	**46.37**	**2.12**	**14.55**	**0**	**34.4**
All Other Medication & Medical Needs	**2.86**	**65.59**	**53.19**	**23.31**	**3.40**	**23.28**	**26**	**35.5**
Total	**100.00**	**$2,293.07**	**$1,945.96**	**17.84**	**100.00**	**$685.61**	**534**	**29.9**

% of total H&BA volume . . . 21.95%

*Revised 1980 figures

to $368.56 million, with antacids capturing almost 70% of that business. SAMI reports that generics hold only 1% of the total market. Private label products own 2.3%.

Laxatives sales hit $30.31 million last year, a 15.2% increase over 1980. But unit volume, according to Towne-Oller, dipped 2.3%. With 28.9% of the laxatives market, Ex-Lax remains the market share leader. "There's tremendous consumer loyalty in laxatives," says Ex-Lax manager of sales administration Dan Calabro. "If it works, people stay with it."

Ex-Lax's sales are split between flavored (53%) and unflavored pill (47%). But those figures are rapidly reversing themselves, according to Calabro. "The trend is toward an easy-to-take pill, especially in an age when everything is in pill form," says Calabro.

Eye care: More shoppers turned to supers for eye care products, helping raise the cateogry to $79.5 million, a 55.06% increase over 1980. While it has a relatively low base, eye care products showed the

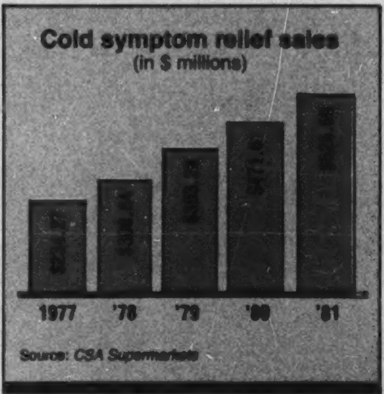
highest growth rate of all H&BA medications; foot care trailed in the No. 2 position with a 30% gain. With an assortment at the warehouse level of 45 sku's, eye care products offered supers an average gross margin of 37%, the highest of all H&BA medications.

Much of the growth in eye care came from contact lens solutions, although just 12% of sales belong to food stores. Dick Brandt, director of market research for Bausch & Lomb, says that contact lens solution's unit volume jumped 75% over last year.

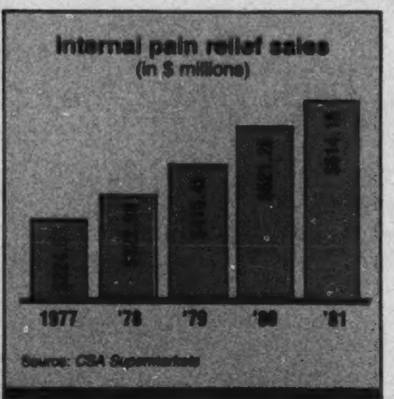
Approximately 8.5 million people wear soft contact lenses, and about the same number wear hard lenses. Brandt says that almost two million people are fitted for soft lenses every year, which is a growth rate of over 20%.

In addition to more people wearing contact lenses, price increases and growth in large-size sales also contributed to the market gains. Brandt points out that there is a high level of brand loyalty in the contact lens solution business. "When consumers are fitted for contact lenses, whoever does the fitting also provides the care regimen. People tend to stick to that original regimen."

The average supermarket allots 2 to 4 linear feet to eye care, but Brandt's position, not surprisingly, is that chains should be giving the category even more space. "The stores that have made the growth happen are the same ones that give it the space it deserves," he says.


Cold symptom relief sales
(in $ millions)

Source: CSA Supermarkets


Internal pain relief sales
(in $ millions)

Source: CSA Supermarkets

TYLENOL
ANACIN

In an effort to get more supermarkets interested in lens care, manufacturers are coming up with a variety of enticing deals this year, such as Bausch & Lomb's off-invoice and co-op advertising allowances. The company also created a new display shipper for its 12-oz. saline solution.

Among the entries in contact lens care this year is Barnes-Hind's Soft Mate weekly cleaning solution, which the company calls the "first sterile, premixed protein remover available which also removes nonprotein deposits."

Towne-Oller reports that major eye medications companies showed unit volume gains of 15.2%-40%, particularly in large-size packages. Unit growth for the total eye medications category, however, dropped 4.1%. This decline has prompted companies to be more aggressive in their marketing approach. "Due to the more competitive environment, manufacturers are marketing the category differently now," says a researcher with a major eye medications company. "They're much more aggressive, and they'll use any marketing tactics available."

The researcher believes that chains often treat eye medications like the classic stepchild department, noting that "retailers still have an attitude about eye medications, picturing the category as it was 10 years ago."

Diet aids: Part of H&BA medications, diet aid sales climbed to $42.3 million last year, a 46.4% gain over 1980. Considering that diet aids skyrocketed 86% from 1979 to 1980, it's safe to say that the category is finally showing some signs of stabilization, particularly products containing PPA (phenylpropanolamine).

Weight-conscious shoppers are still looking for ways to shed pounds, but it seems that the number of consumers willing to try products with PPA slowed down substantially last year, according to William Howe, vice president and director of marketing for Menley and James, makers of Dietac. "When we entered the market," says Howe, "we felt we had the potential to grow dramatically, to bring in people who hadn't previously tried diet aid, due to the favorable position the OTC took on PPA."

But PPA diet aids didn't attract as many users as manufacturers had anticipated. "We're still dealing with a reluctance on the part of the dieting population to try the product. The word 'crutch' turns up periodically," says Howe. "People [are determined] to accomplish the weight loss through will power alone."

Also contributing to the leveling off of PPA diet aids was "a little shyness on the part of buyers," says Howe. "There's been a lot of concern about the F.D.A.'s position on PPA. Even when they came out favorably in March, there was still a general reluctance."

Yet Howe is happy with the retail response to Dietac and other national brands. "As the category has matured, we're pretty well satisfied with the space given to Dietac in supermarkets." The challenge, according to Howe, is in creating the right mix of products. "The market has more of its share of unadvertised regional brands" that may vanish after a shake-out.

Howe stresses that PPA diet aids shouldn't be considered a fad.

Towne-Oller, which measures H&BA sales and unit growth in food stores, reports that the major PPA diet aids saw unit volume gains of 58%-70% last year. But other types of reducing aids, according to Towne-Oller reports, turned in disappointing performances last year: Protein supplements dropped 32.6% in unit volume, and diet cookies and candies dipped 13.5%.

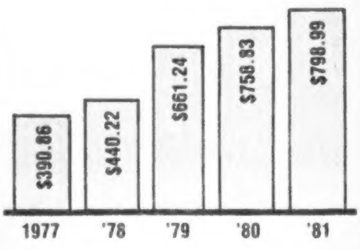
H&BA/Oral Hygiene: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Denture Needs	**9.46**	**$ 139.13**	**$ 136.52**	**1.91**	**11.53**	**$ 41.32**	**28**	**29.7**
Dentifrices	**56.76**	**834.77**	**783.66**	**6.52**	**47.81**	**171.32**	**62**	**20.5**
Toothpaste	54.33	798.99	758.83	5.29	44.60	159.80	56	20.0
Tooth Powder	0.27	3.98	3.55	12.11	0.37	1.34	1	33.7
Tooth Polish	2.16	31.80	21.28	49.44	2.84	10.18	5	32.0
Toothbrushes	**8.38**	**123.23**	**106.38**	**15.84**	**14.00**	**50.15**	**34**	**40.7**
Mouthwash & Breath Sprays	**22.43**	**329.93**	**335.09**	**– 1.53**	**22.10**	**79.18**	**37**	**24.0**
All Other Oral Hygiene Needs	**2.97**	**43.73**	**35.46**	**23.32**	**4.56**	**16.36**	**13**	**37.4**
Total	**100.00**	**$1,470.79**	**$1,397.11**	**5.27**	**100.00**	**$358.33**	**174**	**24.4**

% of total H&BA volume . . . 14.08%

Toothpaste sales

(in $ millions)



Source: *CSA Supermarkets*

Oral hygiene: Accounting for almost 14% of total H&BA sales, oral hygiene closed out the year with $1.47 billion in dollar volume, a flat 5.27% increase over 1980.

Dentifrices, second in dollar volume among all H&BA categories, turned in an equally flat performance, climbing only 6.5% over 1980 to $843.77 million. Most of those gains were due to sales of large-size packages. In a special study done on ounces by Towne-Oller, size trends show that in the first quarter of 1981, dentifrices of 6 oz.-7.9 oz. were most popular, commanding 41.1% of the entire market. The rest of the breakdown looked like this: 2 oz. and under (1.7%), 2.1 oz.-3.9 oz. (13.2%), 4.0 oz.-5.9 oz. (22.7%) and 8 oz. and over (21.3%).

Gels, of course, were the big news in toothpaste last year. Aim made the headway in fluoride gels, with Crest and Colgate jumping on the bandwagon soon afterward. Combined, the Crest and Colgate gels captured almost 16% of the toothpaste market.

Without a doubt, 1981 was a year of can-you-top-this for toothpaste marketers. Crest came out with an improved cavity-preventing formula, an entry backed by extremely aggressive advertising and promotional activity. Colgate responded with an improved taste formula and then started testing its gels. Not to be outdone, Crest accelerated its own testing of two gels. And in an attempt to get a share of both the fluoride and fresh-breath toothpaste markets, Lever Bros. began testing Close-Up with fluoride. Ironically, all that flurry of activity did not produce any real market share changes and no significant dollar or unit growth.

Accounting for 22.43% of category sales, mouthwash and breath sprays slipped 1.53% to $329.93 million.

There are a few possible explanations being offered for the decline in mouthwash sales, however slight. First, it could be related to the increased popularity of gels, which, because of their fresh, minty taste, may have replaced mouthwash for some consumers.

Second, dollar volume could be down because of the increase in private label and generic mouthwash sales.

H&BA/Hair Care: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Hair Care Accessories	**6.49**	**$ 113.30**	**$ 92.19**	**22.90**	**12.37**	**$ 66.36**	**96**	**58.6**
Combs & Brushes	2.51	43.73	24.82	76.19	4.72	25.32	32	57.9
Curlers & Rollers	0.68	11.93	8.86	34.65	1.31	7.03	12	58.9
Pins & Clips	1.14	19.88	23.05	−13.74	2.35	12.60	18	63.4
All Other Hair Care Accessories	2.16	37.76	35.46	6.49	3.99	21.41	34	56.7
Hair Sprays [Women's or Unisex]	**15.83**	**276.27**	**262.40**	**5.29**	**14.26**	**76.53**	**73**	**27.7**
Setting Lotion & Gels	**0.68**	**11.93**	**10.64**	**12.12**	**0.72**	**3.84**	**6**	**32.2**
Conditioners	**17.88**	**312.05**	**258.85**	**20.55**	**17.44**	**93.62**	**79**	**30.0**
Misc. Hair Preparations	**0.46**	**7.95**	**12.41**	**−35.93**	**0.45**	**2.42**	**5**	**30.4**
Hair Coloring Products	**8.66**	**151.05**	**142.33**	**6.13**	**7.43**	**39.88**	**103**	**26.4**
Home Permanents & Curl Relaxers	**1.48**	**25.84**	**28.17**	**− 8.26**	**1.43**	**7.70**	**16**	**29.8**
Shampoos	**45.10**	**787.07**	**737.55**	**6.71**	**42.50**	**228.08**	**148**	**29.0**
Dandruff Shampoos, All Types	5.24	91.43	95.74	− 4.49	4.45	23.86	14	26.1
All Other Liquid Shampoos	34.96	610.18	501.75	21.61	33.77	181.22	122	29.7
All Other Types of Shampoos	4.90	85.46	140.06	−38.97	4.28	22.99	12	26.9
Creme Rinses	**3.42**	**59.63**	**79.78**	**−25.25**	**3.40**	**18.25**	**14**	**30.6**
Total	**100.00**	**$1,745.09**	**$1,624.32**	**7.44**	**100.00**	**$536.66**	**540**	**30.8**

% of total H&BA volume . . . 16.71%

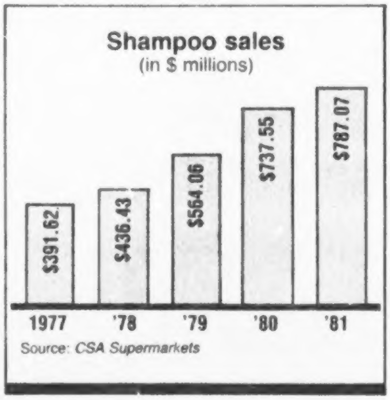
Hair care: Retailers looking for a neat, compact H&BA line won't find it in hair care. With 540 sku's fighting for shelf space (148 in shampoo alone), hair care is the most crowded, if not the most fickle, classification in H&BA. It jumped to $1.7 billion last year, a 7.44% gain over 1980.

Accounting for about 5% of total H&BA volume, shampoo edged forward to $787.07 million, a 6.71% increase over 1980. Average gross margins for this fad-sensitive category last year were 29%, one of the lowest margins in hair care—yet shampoo represents over 45% of all hair care sales.

The market is dominated by Head & Shoulders (14%), Suave (8%), Flex (7%), Prell (7%) and Pert (7%), but several recent entries also made an impact on the department. These include Vidal Sassoon, Jhirmack and Silkience.

Among the successful 1981 offerings was LaMaur's Style shampoo and conditioner line, a product that boosted parent company sales by 62%. LaMaur attributes the gain to its "more aggressive marketing posture," which included the company's first foray into network TV advertising.

Shampoo sales
(in $ millions)



Source: *CSA Supermarkets*

While new names try carving a niche in the shampoo market, at least one old-timer is reworking its corporate strategy. Shulton's Breck shampoo repositioned itself by lowering prices by 24% this year, placing it in the price-value category, along with Flex, Clairol's Condition and Fabergé's Organics. Shulton points out that the newly priced Breck gave it a distinct price advantage over former direct competitors like Pert, Prell, Agree and Silkience. This is one marketing move all industry watchers are following. If successful, the price repositioning could revive the product whose unit growth dropped over 40% last year, according to sources.

Still fresh from the success of its Silkience venture, Gillette next month introduces For Oily Hair Only, a shampoo touting yet another gimmick: Asebogen-8, a Gillette trademark blend of herbal extracts and oil-controlling agents. Backed by a $22.9 million introductory ad campaign, Gillette's newest shampoo will retail for $2.39 for its 7-oz. size and $2.99 for the 11-oz. size.

Gillette's offering the trade a 20% off-invoice allowance and 9% in co-op ad allowances. Coupon promotions will include cents-off coupons, direct mail coupons for free trial sizes and tipped-in magazine cards, also redeemable for free trial-size samples.

Shampoos turned in a fairly flat performance last year, despite all the flurry of new product activity. Conditioners, meanwhile, rang up $312.05 million in dollar volume, a healthy 20.55% increase over 1980.

Newcomers like Helene Curtis's Finesse are moving up swiftly to join the ranks of giants like Flex, Agree and, more recently, Silkience. Priced in the premium $3-$3.85 range, Finesse already owns over 4% of the market, thanks to heavy advertising, a catchy jingle and a gimmick that smacks of the Silkience approach: "variable conditioning for the changing needs of hair."

Towne-Oller reports that unit volume in the total conditioners/creme rinse category climbed 6.7% in 1981, but major companies saw gains of 21%-134%. *CSA* Research shows that with 79 sku's at the warehouse level, conditioners accounted for over 17% of hair care's sales and profits last year, and offered retailers 30% in average gross margins.

Other news in hair care last year came from accessories, which hit $113.30 million, a healthy 22.90% jump over 1980. Included in those gains was an astounding 76.19% increase in brushes and combs, to $43.73 million.

Personal hygiene: Two of H&BA's highest volume categories fell under the personal hygiene banner last year: sanitary goods ($687.70 million) and deodorants and antiperspirants ($679.75 million).

Judging from sanitary napkin unit performance, 1981 was the year many women went back to tampons, if only to combine them with napkin use. While napkin sales did jump 39.12% to $409.44 million, this increase reflected price hikes and some gains in sales of high-quantity packages. Towne-Oller reports that napkin unit volume dipped 2%.

Most of the napkin activity last year came from the thinner "maxi" pad sales. Private label napkins dropped 0.8% while generics held on to its minuscule 0.5% market share, according to Towne-Oller. This year's entries included Tampax's Maxi Thins, the company's concession to renewed consumer interest in napkins.

More women returned to tampon use last year, as the Rely/Toxic Shock Syndrome scare of early 1980 faded for a short time. Tampon dollar volume jumped to $276.27 million, a 27.73% increase over 1980.

There were some losers in personal hygiene last year: The steadily declining belts and accessories category fell 62.58% last year.

In addition to belts, feminine hygiene products dipped 3.59% in dollar volume last year and, according to Towne-Oller, showed a unit volume drop of 4.8%.

Deodorants and antiperspirants sales hit $679.75 million as consumers continued to turn to supers for their personal hygiene needs.

But while the deodorant and antiperspirant category was the fourth largest in terms of dollar volume, it increased only 5.9% over 1980. And unit volume, according to Towne-Oller, inched forward only 0.9%.

Some companies showed unit volume gains between 11% and 49%, but most experienced significant losses. Interestingly, private label and generic deodorant and antiperspirants were up 33%-134% in unit volume, leading some retail analysts to speculate that declines in national brands were due to prohibitive pricing. Average products are priced over $2 and sometimes as high as $4.25.

This tale isn't all gloom and doom. Some recent developments this year could have an extremely positive effect on sales. Women's solid antiperspirant products, such as Gillette's Soft & Dri solid and Shulton's Lady's Choice, are moving full force into the market.

Baby needs: Last year consumers discovered that caring for a baby was a costly proposition. The category jumped 27.82% to $1.6 billion in 1981, but most of that increase was linked to price hikes. Unit volume actually dipped 1.7%, according to Towne-Oller.

H&BA/Personal Hygiene: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Sanitary Goods	**47.21**	**$ 687.70**	**$ 515.93**	**33.29**	**38.70**	**$141.36**	**52**	**20.6**
Napkins	28.11	409.44	294.31	39.12	22.86	83.53	28	20.4
Tampons	18.96	276.27	216.30	27.73	15.66	57.19	22	20.7
Belts & Other Accessories	0.14	1.99	5.32	−62.58	0.18	0.65	2	32.4
Feminine Hygiene Products	**5.87**	**85.46**	**88.65**	**− 3.59**	**7.77**	**28.37**	**26**	**33.2**
Deodorant & Antiperspirants	**46.65**	**679.75**	**641.81**	**5.91**	**53.17**	**194.23**	**144**	**28.6**
Spray	14.05	204.72	228.71	−10.48	14.91	54.46	43	26.6
Roll-On	16.23	236.52	210.98	12.11	18.91	69.06	45	29.2
Cream	1.36	19.88	19.50	1.95	1.75	6.40	5	32.2
Stick	12.01	174.90	124.11	40.92	14.41	52.65	39	30.1
Pads	0.14	1.99	1.77	12.43	0.17	0.64	1	32.1
All Other Deodorants & Antiperspirants	0.68	9.94	21.28	−53.28	0.77	2.82	2	28.4
Powder	2.18	31.80	35.46	−10.31	2.25	8.20	9	25.8
All Other Hygiene Needs	**0.27**	**3.98**	**5.32**	**−25.18**	**0.36**	**1.33**	**1**	**33.5**
Total	**100.00**	**$1,456.89**	**$1,251.71**	**16.39**	**100.00**	**$365.30**	**223**	**25.1**

% of total H&BA volume . . . 13.95%

H&BA/Baby Needs: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Bottles & Nipples	2.58	$ 41.74	$ 39.01	7.00	5.60	$ 16.07	20	38.5
Baby Oils, Lotions & Ointments	4.67	75.53	74.46	1.44	7.95	22.81	15	30.2
Baby Powder	4.30	69.56	70.92	– 1.91	6.50	18.64	11	26.8
Plastic Pants & Diaper Liners	0.86	13.91	10.64	30.73	1.82	5.22	6	37.5
Diapers	0.12	1.99	0.00	0.00	0.12	0.34	1	17.3
Swabs	6.75	109.32	95.74	14.18	12.20	34.98	12	32.0
Diapers, Disposable	67.91	1,099.11	812.32	35.31	45.21	129.70	22	11.8
Soaps & Shampoos	5.93	95.99	93.97	2.15	9.04	25.92	9	27.0
All Other Baby Needs	6.88	111.30	69.15	60.95	11.56	33.17	32	29.8
Total	100.00	$1,618.45	$1,266.21	27.82	100.00	$286.84	128	17.7

% of total H&BA volume . . . 15.50%

After discovering the high cost of parenthood, shoppers learned that generics and private label were two good ways to beat it. Generics made unit volume gains from 81% to an incredible 137% in categories like powder, petroleum jelly and cotton swabs. Shoppers found that a 16-oz. bottle of brand name baby oil, for example, retailed for $4.64, while a 32-oz. generic bottle of oil cost only $1.79. Not surprisingly, generic baby oil showed a 104.8% increase in unit volume.

Disposable diapers jumped 30.73% to $1.09 billion, accounting for almost 69% of category sales.

First aid: Consumers continued to nurse their own wounds last year, but not enough to make any real impact on first aid sales. Dollar volume grew 10.10% to $251.36 last year, but most of that came from price increases. Towne-Oller reports that real growth was only 0.7%.

Antiseptics, adhesive bandages and tapes, first aid kits and surgical dressings were among the product lines showing unit volume declines between 0.1% and 22%.

Among the category's new entries this year was Johnson & Johnson Tricot and flexible adhesive bandages, products designed to fill a void in the market. Market share performance figures show that Johnson & Johnson has indeed made a wise marketing decision.

Cosmetics: Supermarkets took stock in cosmetics last year, continuing a trend toward upgraded displays, wider assortments, higher price points and, in some cases, service cosmetics centers. Their efforts helped raise cosmetics sales to $323.06 million in dollar volume, a 15.5% gain over 1980—the fifth highest increase among all H&BA categories.

Chains like Alpha Beta, Tom

H&BA/First Aid: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Bandages & Tapes	48.93	$122.98	$111.70	10.10	50.98	$43.10	35	35.0
Adhesive Bandages	35.48	89.19	83.33	7.03	36.40	30.77	21	34.5
Gauze & Bulk Bandages	7.12	17.89	15.96	12.09	7.81	6.60	8	36.9
Adhesive Tapes	6.33	15.90	12.41	28.12	6.77	5.72	6	36.0
Cotton & Cotton Balls	14.23	35.78	37.23	– 3.88	14.01	11.84	8	33.1
First-Aid Preparations	32.42	81.49	69.14	17.86	31.70	26.80	28	32.9
Petroleum Jelly	15.02	37.76	31.91	18.33	12.77	10.80	6	28.6
All Other First-Aid Preparations	17.40	43.73	37.23	17.46	18.93	16.01	22	36.6
First-Aid Kits	2.05	5.15	4.60*	11.96	0.52	0.44	1	8.6
All Other First-Aid Items	2.37	5.96	7.09	–15.93	2.79	2.36	4	39.6
Total	100.00	$251.36	$228.30	10.10	100.00	$84.55	76	33.6

% of total H&BA volume . . . 2.41%

*Revised 1980 figures

H&BA/Cosmetics: 1981 Performance—$2 Million Supermarkets

Category	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Facial Cosmetics	**14.76**	**$ 47.71**	**$ 41.47**	**15.05**	**15.45**	**$ 18.00**	**59**	**37.7**
Compacts, Liquid & Stick Makeup	9.84	31.80	23.05	37.96	10.15	11.83	41	37.2
Powder Puffs	1.23	3.98	3.55	12.11	1.72	2.00	4	50.2
Face Powder	3.69	11.93	14.87	−19.76	3.58	4.18	14	35.0
Lipsticks	**16.62**	**53.66**	**42.55**	**26.11**	**17.32**	**20.18**	**73**	**37.6**
Manicure Items	**21.31**	**68.83**	**60.38**	**13.99**	**23.49**	**27.36**	**121**	**39.8**
Nail Polish	7.77	25.10	19.60*	28.06	8.51	9.92	95	39.5
All Other Manicure Items	13.54	43.73	40.78	7.23	14.98	17.45	26	39.9
Bath Products	**23.38**	**75.53**	**72.70**	**3.89**	**19.81**	**23.08**	**25**	**30.6**
Talcum Powder & Medicated Powder	11.08	35.78	39.01	− 8.27	9.68	11.27	9	31.5
All Other Bath Products	12.30	39.75	33.69	17.99	10.31	11.81	16	29.7
Eye Makeup & Accessories	**7.85**	**25.37**	**19.02***	**33.39**	**8.32**	**9.69**	**89**	**38.2**
Perfumes, Toilet Water, Cologne, Towelettes	**11.16**	**36.06**	**34.72**	**3.86**	**10.59**	**12.33**	**2**	**34.2**
All Other Cosmetics & Cosmetic Accessories	**4.92**	**15.90**	**8.86**	**79.46**	**5.02**	**5.85**	**13**	**36.8**
Total	**100.00**	**$323.06**	**$430.38**	**−24.93**	**100.00**	**$116.50**	**382**	**36.1**

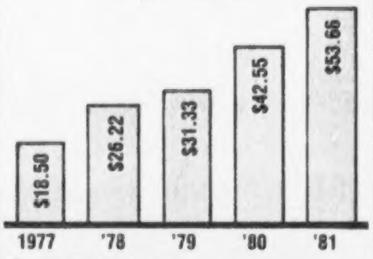
% of total H&BA volume . . . 4.62% *Revised 1980 figures

Thumb, Albertson's and Kroger made cosmetics service centers prototypical for many H&BA departments, cashing in on the consumer trend toward designer and high-end branded products. Houston-based Randall's supermarkets has service centers in seven out of 19 stores, with two more slated for later this year.

Many more chains opted for the boutique-type displays provided by many manufacturers. Available in 3-ft. to 12-ft. sections, the displays established natural borders for cosmetics sections, creating a store-within-a-store ambience.

Much of the growth in cosmetics came from low price points as budget-minded consumers traded down. Companies like Hazel Bishop, maker of low-end cosmetics, cashed in on the trading-down trend and found the capital to expand lines; this month the manufacturer introduces three new product lines: mascara, eye shadow and brush-on blush. "We tried to come up with a product that is [comparable to the higher-priced lines]," says company president Ralph Porto. "We've got a very good formula in every case, selling for up to 40% less than the other lines." The company tested its new products this year in Safeway stores and "sold through the initial production," Porto says. In addition to new products, Hazel Bishop is also introducing a new co-op advertising package that offers an allowance of more than 10%.

Lipstick sales
(in $ millions)



Source: *CSA Supermarkets*

Hazel Bishop's decision to expand into mascara and eye shadow came at the right time. Eye makeup and accessories sales jumped to $25.37 million last year, a 33.3% gain over 1980.

Another entry this year was Flame Glo's Soft Totes collection, an assortment of eye, lip and face makeup packaged in soft vinyl compacts, retailing for about $4. With its slick, stylish package design and glossy point-of-purchase cards, the Soft Totes line may upgrade Flame Glo's image and bolster consumer perception of its price/value.

Fragrances: Part of the cosmetics category, perfume, cologne and toilet water turned in a disappointing food store performance in 1981, a meager 3.85% increase over 1980 to $36.06 million—almost all of which was due to price hikes.

But take heart: Several interesting developments in fragrances, if successful, could have a profound effect on sales this year and in the future. No. 1 is Maybelline's introduction of Daydreams, the company's first fragrance. Backed by a $3.5 million ad campaign, Daydreams cologne will retail between $5 and $9.75, and the ½-oz. perfume will sell for $20. The question raised by industry analysts is whether the country's premier cosmetics manufacturer can transfer its keen mass-marketing skills to the fragrance field. Another factor is whether the market can bear another midline fragrance at a time when midprice points, as well as overall fragrance sales, are suffering. □

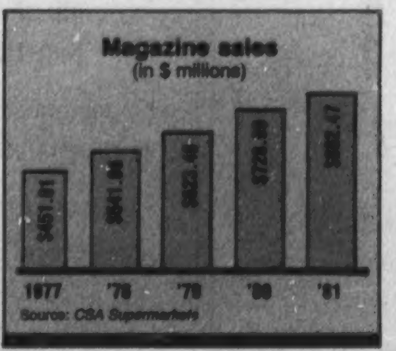
Heightened promotions, new racks, expanded tie-in displays and bonus pocket fees add up to a 20% increase in sales

Savvy marketing helps write new chapter on growth

Virtually every link in the distribution chain is trying interesting and innovative approaches to merchandising magazines, books and tabloids in supermarkets. A variety of experiments are taking place, and serious thought is being given to finding the best way to handle different types of publications in supers.

In short, the industry is finally waking up to the fact that traditional marketing methods may not be the best ones for supers. And efforts are being made to find solutions for some of the problems that have plagued the category.

One traditional source of conflict has been the Retail Display Allowance system. Retailers justifiably complain about delays in making and processing claims that can mean a year or more will pass before they see their money. Publishers, on the other hand, say RDA bookkeeping costs are staggering, many claims suffer from slipshod accuracy and some supermarketers are careless about displaying publications in the agreed-upon spots.



Source: CSA Supermarkets

But possible solutions have been few and far between. One new idea has been proposed by Gerald Giannone, national marketing manager for Penthouse Publications.

"We pay out $350,000 a month in RDA's," he says. But he recognizes the problems in the system, and in an attempt to solve them is trying to set up a department at Penthouse to devise possible substitutions for cash RDA payments.

Giannone thinks some supermarketers might prefer to collect an RDA in another form—perhaps promotional help, specifically designed for the individual retailer, that would be designed to increase traffic.

"In some cases, traffic might be

Books & Magazines: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Magazines	60.83	$ 882.47	$ 728.99	21.05	61.55	$249.74	45	28.3
Paperbacks	33.01	479.00	398.06	20.33	33.05	134.12	53	28.0
Tabloids	6.16	89.44	78.57	13.83	5.40	21.91	6	24.5
Total	100.00	$1,450.91	$1,205.62	20.35	100.00	$405.77	104	28.0

% of total store volume . . . 0.71%

more important than cash," he suggests. "We would make the promotion more valuable than the amount of money they would receive from their RDA."

Types of promotions might be sponsoring an event at a local college or a tie-in with another product the supermarketer is promoting.

There are myriad alternatives, Giannone says, with the choice depending solely on the supermarketer's preference.

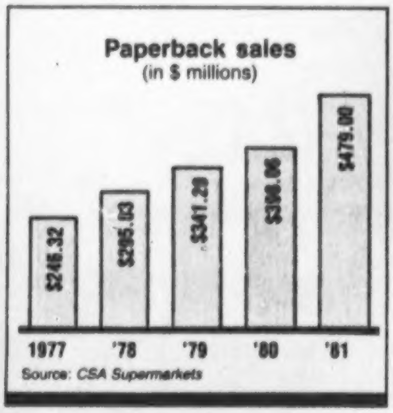
Giannone is also trying to fine-tune the merchandising of *Penthouse* and *Omni* in supers. Since more men—both magazines' major audience—use the express checkout lane than any other, he is trying to place his publications in the best spots in those locations. For those pockets, the company is willing to pay a per-pocket fee over and above its RDA's.

Publix is now testing the concept at one of its three divisions, says Giannone, and there are plans for a presentation to Safeway.

Other companies are fine-tuning their supermarket efforts as well. Condé Nast, for instance, has designed a checkout rack with a split-package concept. It allows retailers to offer magazines that debut at the beginning of the month from the first to the 15th, and then replace them with ones that bow midmonth. The heaviest sellers, like *Cosmopolitan*, get month-long exposure.

"It benefits the retailer because he gets 24 turns instead of the regular 12 turns," explains Condé Nast's William McCollough. "Merchandising two magazines means increased profits." It also helps eliminate empty racks, which look unsightly and mean lost profits.

Upscale merchandising: The magazine that has forged perhaps the strongest link with supers is *Bon Appétit*. Long recognized as active in cross-merchandising, the magazine struck a bargain with Safeway that allowed the giant



Source: *CSA Supermarkets*

She buys asparagus, Perrier by the case and believes in her Self.
SELF

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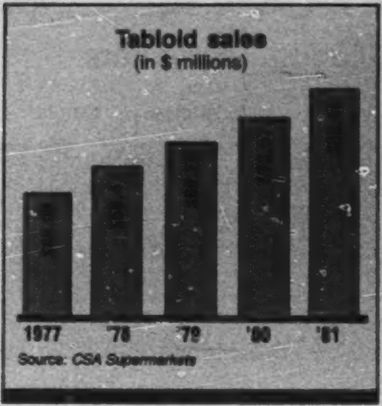
Condé Nast
PUBLISHER OF AMERICA'S BESTSELLERS:
VOGUE, HOUSE & GARDEN, GLAMOUR, MADEMOISELLE, BRIDE'S, SELF AND GQ.



Source: CSA Supermarkets

chain to use its name for new gourmet-style supers.

These upscale units—there are two so far, both in northern California—now feature a wide selection of *Bon Appétit*-labeled merchandise. In addition to the magazine, certainly a natural for the stores, a shopper can buy recipe collections, aprons, and other soft goods emblazoned with the *Bon Appétit* design, as well as other branded items.

Promoting books: On the book front, there's an increased emphasis on promotions in supers. John Zales, retail marketing manager for Dell Distributing, considers them of primary importance. "We have to concentrate not on single copy sales but on thematic promotions," he stresses. "Book people should be doing the same things as other companies."

As an example of how Dell is working toward that goal, Zales cites the launching of its Twilight young adult books in October. He also advocates timing diet book pushes for right after Christmas and similar seasonal offerings.

"We have to work more closely with the supermarketer and wholesaler to find out what promotions they're doing and tie in with our own promotions," Zales concludes. "It should be a total marketing effort."

John Rutledge, manager of retail sales and chain marketing, Bantam Books, reports his company is also taking a harder look at supermarkets.

"We have a commitment to broadening our base in supermarkets," he says. "It's a different marketplace, with a different way of handling people. You must talk the language. You must know the demographics.

"Bantam realizes the importance of the market, and we want to help the wholesaler sell that market," he adds.

One way the publisher is working to do that is through the development of more cross-merchandising programs. To ease placement of books, it offers a six-pocket shelf extender and a clear Lucite rack. In addition to almost traditional approaches like placing baby books in the baby food aisle, Rutledge suggests looking a bit further afield. For example, he'd place men's action-adventure books in the automotive section.

Some publishers are also experimenting with ways to get their products into supers. Allan Publishers developed a special system when it acquired the rights to a line of children's books.

"We geared our marketing and merchandising setup to supermarkets, because we believe that's the future of mass-market children's

He buys filet mignon,
Mallomars and reads GQ.

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Condé Nast
PUBLISHER OF AMERICA'S BESTSELLERS:
VOGUE, HOUSE & GARDEN, GLAMOUR, MADEMOISELLE, BRIDE'S, SELF AND GQ.

books," explains Guy Nichols, vice president/director of sales for the firm.

Allan looked for a system that would eliminate excess handling but allow a high turnover without out-of-stocks. Their solution was a special rack program that goes through a supermarket's warehouse.

Books are sent shrink-wrapped in a master package that allows easy pulling of titles. They're divided category by category, rather than title by title, to avoid the out-of-stock problem. Reorder numbers and sku numbers for the warehouse are the same.

Store within a store: Supermarketers themselves are looking at alternative ways to sell publications. On the East Coast, several supers have drawn on the expertise of discount bookseller Barnes & Noble for their book departments. Pathmark pioneered the concept last year.

This June, Stop & Shop bowed its version of the idea. In its first Super Stop & Shop, located in Pembroke, Mass., it devotes 1,050 sq. ft. out of its 34,000 sq. ft. of selling space to "Barnes & Noble at Stop & Shop."

Unlike the effort in Pathmark stores, this is not a straight aisle. The unit's aisles 12 and 13 are split, so a double-sized area can be devoted to shoplike setups.

The book area has the rear half of these aisles, while greeting cards are up front. A total of four endcaps are devoted to publications—two in the rear facing the meat counter, and two at the front of the section, facing the greeting cards.

What really creates the bookstore feeling are the five tables arranged down the center of the area. "We don't want the customer to feel she has to fly by it," says Jack Laurendeau, Stop & Shop's vice president, general merchandise sales. "We want the customer to browse."

The space is not leased; Stop & Shop owns it. Essentially, Barnes & Noble takes the place of the wholesaler when it comes to books (the magazines in this section and at checkout are still handled by the local wholesaler).

Barnes & Noble did, however, have some input on the layout. "We'd be foolish not to take advantage of their expertise," says Laurendeau.

Books appearing on *The New York Times* bestseller list are discounted by one-third, paperbacks by 10% and new hardcover releases by 15%. The Barnes & Noble people are in the store once a week. Between their visits, someone is assigned by the store's general merchandise manager, Dave Golden, to oversee the area on a daily basis.

According to Laurendeau, present plans are to include a "Barnes & Noble at Stop & Shop" in future Super Stop & Shops. The center was accorded almost a full page in the unit's opening week flyer, and Laurendeau says he plans to continue advertising books.

The activity is almost endless. Which of these many experiments will work is uncertain. But one thing is definite: Publications are moving toward a more important position than they've ever held before. ☐

She buys Diet Pepsi for her husband, ice cream for the kids and Vogue for herself.
VOGUE
diet
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After carefully editing general merchandise lines for the last two years, buyers have settled on a mix they can manage

Basics—and sleepers—boost sales past $4 billion

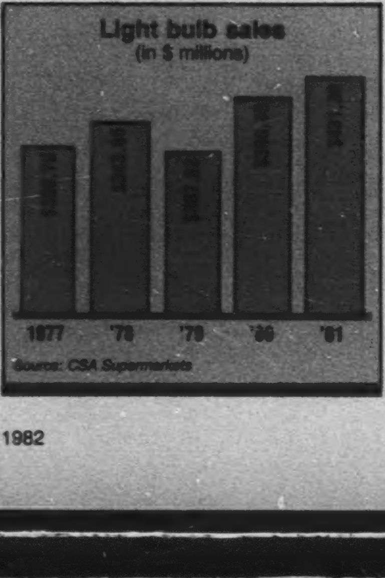
The great purge of the general merchandise department has come to a grinding halt. After carefully editing GM lines for the last two years, supermarket buyers have settled on a mix they can manage—a mix that has helped boost GM's 1981 dollar volume 16.2% to $4 billion.

The new mix is dominated by high-volume basics like light bulbs, batteries and glassware. Other solid volume lines include barbecue items and photo needs. And there are the sleepers, the moderate-volume lines whose sales have leaped 30%-65% from 1980, such as outdoor furniture, woodenware and gadgets.

As usual, some of GM's gains are linked to price hikes. Results of a National Housewares Manufacturers Association (NHMA) study shows that more than 2 out of 3 manufacturers (68%) raised their prices an average of 7.5% in 1981. That's actually an improvement over 1980, when four out of five respondents (79%) increased prices an average of 8.9%.

Light bulb sales

(in $ millions)



Source: CSA Supermarkets

Future price increases are inevitable. Moreover, 7 out of 10 (71%) responding to NHMA's survey expect prices to climb an average of 6.4% in 1982. Not surprisingly, manufacturers attribute the anticipated price gains to inflation, coupled with higher material, overhead and labor costs.

The GM purge of yesterday has led to the constant reassessment of assortments today. Safeway's Virginia division, for instance, revamped its nonfoods department by cherrypicking its best lines, such as kitchen domestics, greeting cards, magazines, paperbacks and cosmetics. Gone from the chain's shelves are slow-moving hardware, big-ticket toys during Christmas and picture frames (Safeway's decision to drop hardware parallels the category's poor performance; the tools and fix-it products in supers dropped 30% in dollar volume in 1981).

Other chains, such as Florida-based Publix, are experimenting with food-related GM—like cookware, kitchen utensils and tabletop products. Combined, food-related GM represents approximately $1 billion in dollar volume, with 1981 sales increases ranging from 7.5% for cutlery to a hefty 30.6% for woodenware. Of all food-related GM lines, the glassware/china category shows the highest dollar volume at $419 million, an increase of 28.2% from 1980.

Those chains succeeding with housewares pay close attention to fashion, especially color trends. The up-and-coming color for all housewares products, according to NHMA, is white. Pastels are proven winners for bath and closet accessories. Almond is still the No.

General Merchandise: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Glassware/China	**9.81**	**$ 419.38**	**$ 327.03**	**28.24**	**7.24**	**$ 108.78**	**163**	**25.9**
Dinnerware	4.60	196.77	142.64	37.95	1.35	20.27	31	10.3
Drinkware	2.28	97.39	85.10	14.44	2.50	37.59	60	38.6
Bakeware	0.98	41.74	30.14	38.49	1.11	16.61	22	39.8
All Other Glassware/China	1.95	83.48	69.15	20.72	2.28	34.31	50	41.1
Barbecue Items	**8.37**	**357.76**	**281.91**	**26.91**	**5.72**	**86.02**	**26**	**24.0**
Charcoal	5.81	248.44	195.03	27.39	3.67	55.15	10	22.2
Starter	1.35	57.64	40.78	41.34	1.04	15.62	4	27.1
Grills	1.12	47.70	39.01	22.28	0.92	13.88	9	29.1
All Other Barbecue Items	0.09	3.98	7.09	– 43.85	0.09	1.37	3	34.3
Furniture	**4.36**	**186.83**	**115.71**	**61.46**	**4.48**	**67.21**	**43**	**36.0**
Indoor	1.67	71.55	51.42	39.15	1.76	26.40	23	36.9
Outdoor	2.69	115.28	64.29	79.31	2.72	40.81	20	35.4
Plasticware	**2.83**	**121.24**	**107.60**	**12.68**	**3.11**	**46.68**	**96**	**38.5**
Cookware	**5.44**	**232.54**	**257.08**	**– 9.54**	**6.59**	**99.06**	**78**	**42.6**
Cutlery	**0.71**	**30.49**	**28.37**	**7.47**	**1.38**	**20.76**	**18**	**68.1**
Gadgets	**3.62**	**155.03**	**94.49**	**64.07**	**4.63**	**69.61**	**115**	**44.9**
Gardenware [Incl. Hoses]	**1.02**	**43.58**	**41.51**	**4.99**	**1.15**	**17.34**	**10**	**39.8**
Electric Ware	**11.15**	**477.01**	**414.88**	**14.98**	**13.08**	**196.47**	**98**	**41.2**
Batteries	8.18	349.81	280.13	24.87	10.15	152.52	43	43.6
Appliances	1.90	81.49	83.33	– 2.20	1.56	23.39	20	28.7
All Other Electric Ware	1.07	45.71	51.42	– 11.09	1.37	20.57	35	45.0
Toys & Sporting Goods & Hobbies [Excl. Needlecraft]	**3.02**	**129.39**	**147.16**	**– 12.07**	**3.20**	**48.13**	**62**	**37.2**
Cloth & Asbestos Products	**0.14**	**5.96**	**0.00**	**0.00**	**0.18**	**2.66**	**4**	**44.7**
Rubber Gloves	**1.49**	**63.60**	**51.42**	**23.69**	**1.84**	**27.60**	**19**	**43.4**
Auto/Marine Supplies	**7.73**	**330.74**	**300.35**	**10.12**	**5.02**	**75.41**	**35**	**22.8**
Tools & Fix-It Items	**0.70**	**29.81**	**42.55**	**– 29.93**	**0.79**	**11.84**	**31**	**39.7**
Vacuumware & Styrofoam	**1.16**	**49.69**	**53.19**	**– 6.57**	**1.26**	**18.88**	**24**	**38.0**
Rubberware	**0.57**	**24.39**	**20.08**	**21.46**	**0.78**	**11.73**	**3**	**48.1**
Woodenware	**0.27**	**11.51**	**8.86**	**29.91**	**0.31**	**4.67**	**8**	**40.6**
Holiday Supplies	**3.21**	**137.14**	**59.38**	**130.95**	**3.93**	**59.11**	**67**	**43.1**
Photo Needs	**16.01**	**684.46**	**628.11**	**8.97**	**11.41**	**171.28**	**45**	**25.0**
Cameras	2.42	103.35	106.38	– 2.84	1.52	22.84	7	22.1
Film	9.67	413.41	374.52	10.38	6.53	97.98	28	23.7
Flashbulbs	1.63	69.56	62.05	12.10	1.56	23.37	9	33.6
Processing	2.29	98.14	85.16	15.24	1.80	27.09	1	27.6
Sewing Notions	**0.37**	**15.90**	**21.28**	**– 25.27**	**0.66**	**9.89**	**58**	**62.2**
Sunglasses	**1.26**	**54.00**	**58.70**	**– 8.00**	**1.97**	**29.54**	**3**	**54.7**
Fireplace Logs	**1.25**	**53.66**	**39.01**	**37.55**	**0.99**	**14.92**	**4**	**27.8**
Watches & Jewelry	**2.37**	**101.36**	**37.23**	**172.25**	**1.38**	**20.78**	**39**	**20.5**
Light Bulbs	**10.07**	**431.30**	**390.05**	**10.58**	**15.55**	**233.53**	**64**	**54.1**
Standard Household	7.57	323.97	304.95	6.24	11.82	177.54	26	54.8
Christmas	0.46	19.88	8.86	124.38	0.48	7.20	10	36.2
All Other Bulbs	2.04	87.45	76.24	14.70	3.25	48.80	28	55.8
All Other Housewares	**3.07**	**131.18**	**95.74**	**37.02**	**3.35**	**50.37**	**70**	**38.4**
Total	**100.00**	**$4,277.95**	**$3,521.69**	**21.47**	**100.00**	**$1,502.29**	**1,183**	**35.1**

% of total store volume . . . 2.08%

1 choice for kitchen appliances and accessories, brown for serving and buffet items and yellow for outdoor products.

Supers have increased their share of the $19 billion housewares market through an endless supply of manufacturer promotions and point-of-purchase displays, particularly in cutlery, rubberware and cookware. In addition, manufacturers are packaging a wide variety of products for mass merchandising, from $1 gadgets to $10 cookware.

With the advent of scanning, supers are urging manufacturers to refine their UPC labeling. "They may have an overall label identifying knives, but I want a separate label for each and every knife sku," says a buyer with a major Midwest chain. "Our scanning is no good to us if we can't track product movement for *every* product, not just total categories." Retailers point out that the major manufacturers have been more thorough in UPC labeling; it's the smaller companies that need to narrow UPC labeling, they say.

Photo needs: Year after year, photo products snap up first place in the GM division, edging out such top sellers as electric ware, light bulbs and glassware/china. In 1981, photo needs rang up sales of more than $684 million, proving that no matter how tough the economy, people still take pictures.

As usual, film has the highest dollar volume of all GM subcategories: $413 million in 1981, up 10.3% from 1980. Continuing 1980's trend, more instant-camera users dabbled in 35mm following the proliferation of fully automatic cameras, which were backed by heavy television and print ad campaigns.

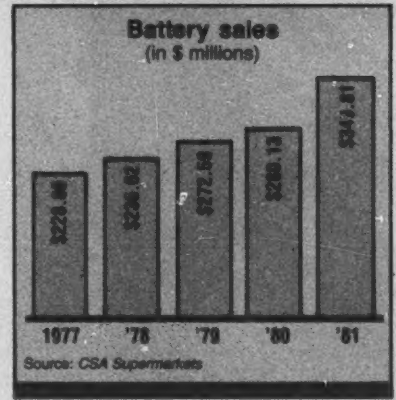
In addition, private label and generic film showed healthy gains, clearly a reaction to high-pricing structures of branded film. Generic film was, and continues to be, one of the few no-name products merchandised in branded film sections, apart from the generics department.

Flash bulb sales, which had dropped 20% in 1980, grew 12.1% to $69.56 million—a surprising gain considering that most instant cameras are now equipped with built-in flash features. A Sylvania spokesman says there are two basic reasons behind the 12% gain: First, flash bulb companies promoted heavily last year. Second, fewer people bought new cameras. "Because the electronic flash cameras cost so much, there are still quite a few consumers hanging on to their old cameras," says the Sylvania spokesman. One new camera that did not come equipped with an electronic flash was Polaroid's Amigo, which may have contributed, if only slightly, to the gains in flash bulb sales.

The big news in photo products this year was, of course, the introduction of Kodak's disc camera. If successful, the disc will have a profound impact on nearly every branch of the industry. In processing, only specially equipped plants can handle the disc film. As disc cameras saturate the market, the ailing 126 film will inevitably fade into oblivion and 110 film may also suffer.

Automotive: One of the steadiest growth categories in supermarkets, automotive supplies gained another 10% in sales last year—despite a more conservative approach by retailers toward line expansions. Motor oils continue to be the drawing card for this $330 million category.

Tabletop gets a boost: Glassware/china got a much-needed shot



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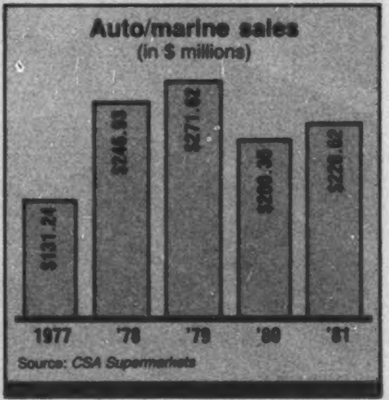

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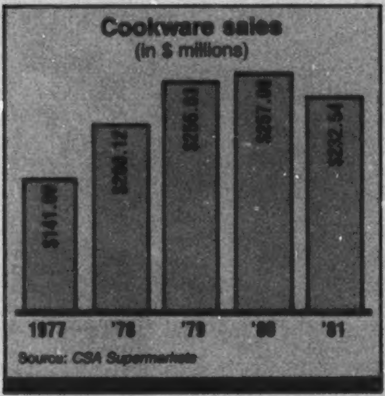

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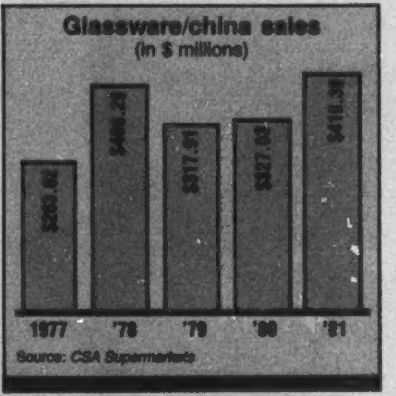


Source: CSA Supermarkets

in the arm last year. Dollar volume increased to $419.38 million, a healthy 28.2% increase compared with 1980's meager 3% gain.

Dinnerware sales jumped almost 38% to $196.77 million in 1981, an increase that is due, in part, to the many continuity programs supers are running.

Drinkware sales climbed to $97.39 million, a 14.4% increase over 1980. Some chains, like Denver-based King Soopers, consolidated their drinkware sections into manageable 8-ft. to 16-ft. sections. Other chains, like A&P Plus superstores, used drinkware in massive in-out promotions. And supers with liquor departments found it both logical and lucrative to merchandise drinkware adjacent to those areas.

Drinkware manufacturers satisfied many chain buyers by coming up with nicely designed, durable products at supermarket prices. Other news in drinkware this year comes from the licensing sector: Pac-Man, that insatiable character of video game fame, will debut on a full line of Libbey drinkware, including mugs, jiggers, coolers, decanters and beverage glasses.

At this month's housewares show, Libbey also introduces eight-piece gift sets such as Winchester, a line of multifaceted beverage glasses. Also on Libbey's roster is a collection of novelty pieces in Christmas designs for the holiday season.

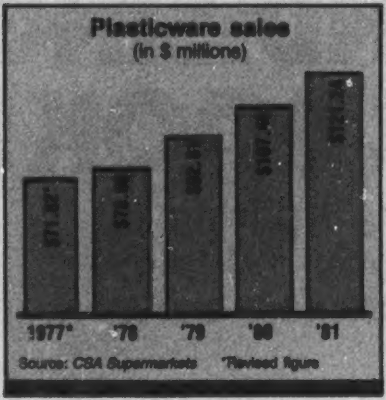
Anchor Hocking is offering Amanda, a complete glassware set that includes wine glasses, goblets, beverage glasses, bowls, platters and snack plates. Designed in translucent glass and textured with a pattern of leaves and vines, the Amanda line ranges in price from 79¢ to $3.70 for single pieces.

Last year cutlery sales totaled $30.49 million, a 7.5% increase over 1980. Dominick's, Dillon Stores, Pathmark and Jewel all sharpened their cutlery merchandising skills, both in-line and through continuity programs. And chains that normally shied away from GM found cutlery, like cookware, a natural extension of their food business.

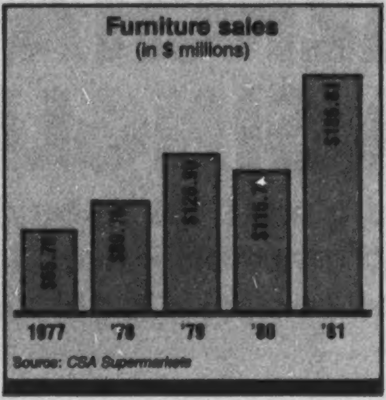
As more supers stocked cutlery, shoppers gradually learned that it could be economical, as well as convenient, to buy these products in food stores. "Consumers are seeing more cutlery in supers, so they're more likely to buy them there than they were a few years ago," says a source at Ekco.

While cutlery sales climbed only 7.5% in 1981, next year's sales could be stronger, judging from the recent flurry of new product activity. At this year's Gourmet Show in San Francisco, Ekco introduced Geneva Forge, a line of popularly priced European-style knives. The blades are made of high carbon, rust- and tarnish-resistant stainless steel and the handles are dishwasher-safe polypropylene. "There are knives with a similar look for $20, even $40," says a spokesman for Ekco. "Ours aren't exactly the same very high quality, of course, but it's a very good knife." Designed for pegboard display, the line retails for $2.79-$4.99.

Another new idea in cutlery is Imperial Knife's line of nonstick knives with a SilverStone coating, priced between $10 and $13 for single pieces, $34 for sets. Because the coating prevents food from adhering to the blade, the knife is said to ease cutting chores. Marketing director David Freiman notes that although tickets run as high as $13 for single pieces, prices are not prohibitive. "You're getting the same shopper in supermarkets that you get in



Source: CSA Supermarkets *Revised figure



Source: CSA Supermarkets

department stores," says Freiman. "A lot of men, particularly bachelors, may not shop the department stores, but rest assured they shop supermarkets." Freiman points out that Imperial's Collectables line, with knives priced as high as $10, has been successful in supers for many years.

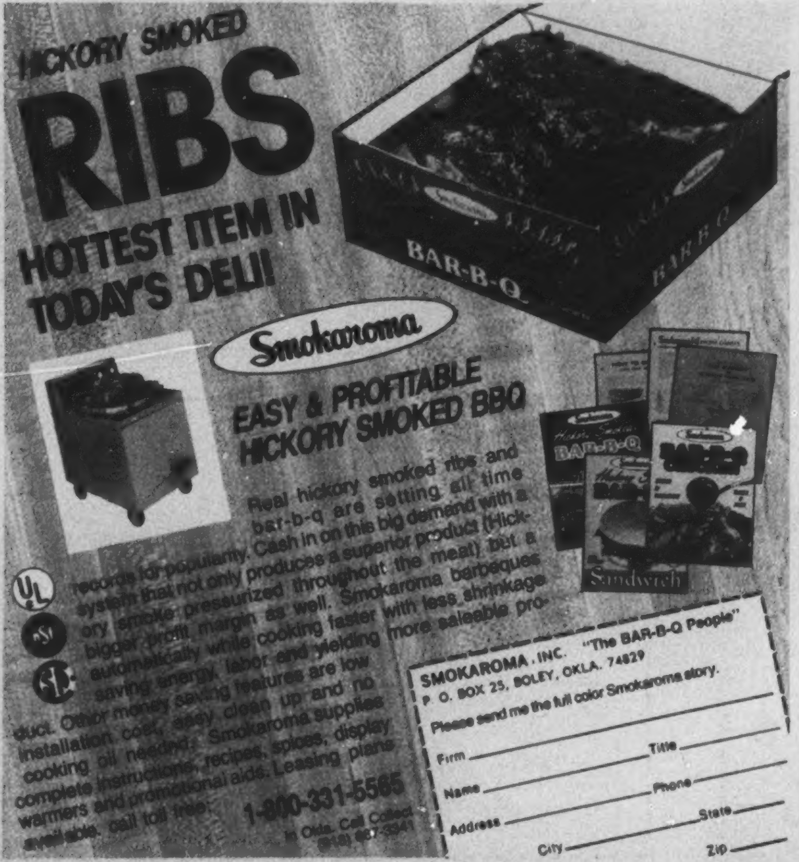
In addition to new products are the many new merchandising displays manufacturers have designed to help move products. Wilkinson Sword came up with a 1-doz. compact counter merchandiser for its self-sharpening scissors. Retailing for $14.95, the scissor is a companion unit to the company's line of self-sharpening kitchen cutlery—another new product that may help boost cutlery sales in 1982.

With 1981 sales up 21% to $24.29 million, and average gross margins of 48%, rubberware continues as a solid seller in food chains. Shoppers are still discovering that replacing or adding a rubberware product can be an inexpensive way to spruce up the kitchen or bathroom.

Rubbermaid's new product introductions in 1981 included the Fun-Functionals servingware line and Space Organizers. It pitched a new ad campaign for its Roughneck line of trash containers, shelf liners and bathroom accessories.

To counteract competition from knock-off companies, Rubbermaid came up with a number of consumer promotions last year. "Our promos really performed magic for us," says a Rubbermaid source—"lots of tonnage and lots of trade features." The company ran a $2 refund offer on four rolls of shelf liner, and a $2 rebate on Roughneck trash containers. The results were so outstanding, Rubbermaid is raising the stakes and doing it again next year with high rebate offers.

Like many GM companies, Rubbermaid's challenge is to devise programs that perform for supermarkets. "We direct supermarkets to the items that sell best," says the source. "We can't ask them to be a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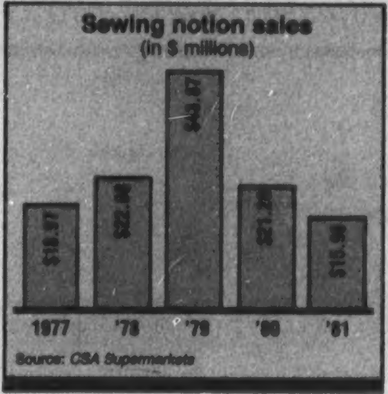
3M

K mart or a Target," and sell every color, every item on Rubbermaid's roster. We treat them as a different breed of retailer altogether.

At this year's July housewares show, Rubbermaid introduces several lines that should compete head-on with direct sales company Tupperware: Servin' Savers is a four-size line of plastic food storage containers designed for tabletop serving, with a retail value range of $1.98-$4.98 for single pieces and $7.49 for a three-piece set. Another new Rubbermaid line is Food Keepers, a five-size line of food storage containers for the freezer and refrigerator, with a retail value of $1.09-$2.50.

The GM division is filled with sleepers—those unobtrusive little categories that move in bursts of growth, such as:

Woodenware: More people are cooking the way Mama used to cook, as evidenced by the surge in woodenware sales: up 30.6% to $11.51 million in 1981. Chains like ShopRite, Kroger, Grand Union and Safeway are using in-line or rotating displays for wooden kitchen utensils, designed and provided by Hoan Products in New Jersey.



Source: CSA Supermarkets

"Wood has been used since time immemorial," says Hy Crandall, vice president of sales and marketing for Hoan. "The use of wood isn't new, but there has been an increase in working in the kitchen, a skill that's applicable to all kinds of people." Crandall notes that a continuing interest in gourmet cooking has helped move Hoan's wood/plexiglass display from department and specialty stores into supermarkets.

Furniture: With more people vacationing in their own backyard last year, sales of outdoor furniture in supers hit a record high of $115.71 million, up 79% from 1980. But because that sudden growth was, and continues to be, a function of economic hardship, it may only be short-term growth, according to one company. "It's an economic phenomenon," says Ben Reid, executive vice president of H. T. Tucker Industries, makers of outdoor furniture. "It's a function of Reaganomics, so to that degree it can be considered short-term growth."

But the continued growth, Reid speculates, "can only come from manufacturer innovations." Companies will combine fashion and comfort with popular price points for supermarket retailing. Reid predicts that best-selling furniture this year and in 1983 will be chairs and tanning chairs, which are low-slung chaises constructed only 2 in. or 3 in. off the ground for better reflection. ☐

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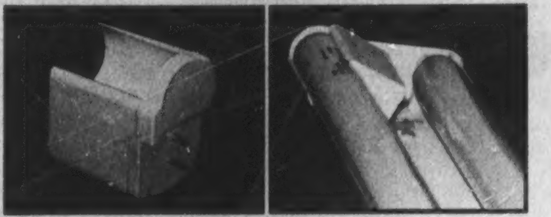

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Most lines have been marked by staggering dollar volume declines due to ineffective merchandising, poor pricing

Hosiery saves category from coming apart at the seams

Soft goods may be the most aptly named category of all. Except for hosiery, kitchen domestics and a scant few others, soft goods turned in the softest 1981 sales performance of all nonfoods departments. It inched ahead only 2.96% over 1980 to $962.95 million, claiming a meager 0.47% of total store volume.

Hosiery, however, was a solid winner last year, as it was in 1981. Accounting for almost 55% of total department sales, it closed 1981 with $529.28 million, a 13.19% increase over 1980. Industry watchers say better gains are in hosiery's future as more women buy their upscale pantyhose in supers, due to the success of department store-quality lines like Ultra Sense and Sheer Elegance.

Conversely, yarn, men's and boys' wear and bed coverings were hardest hit last year, suffering dollar volume drops from 26% to a staggering 73%, reflecting both poor sales as well as the many retailers who withdrew their support in 1981.

Gloves, socks, shoes and infants' wear were among those soft goods lines that managed to stay in the black, with sales gains of 4% to an impressive 71%.

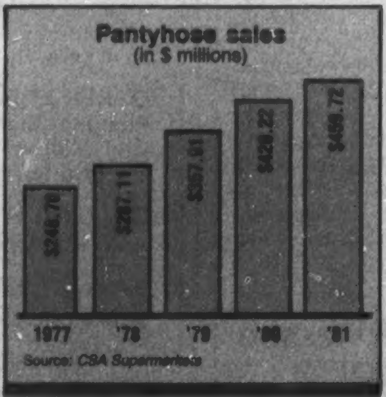
In trying to diagnose the ailing category, suppliers point to several possibilities. "We're seeing a real lack of merchandising expertise in almost every area except pantyhose," says one soft goods distributor. "Sure, supermarkets are primarily in the business to sell food. But if they want to attract the one-stop-shoppers, they had better come up with improved soft goods programs."

Others say the problem relates to high tickets and fuzzy refund policies. "When prices on shirts jump to $7.99, shoppers decide they'd rather go to department stores where they're assured an exchange or refund," says George Orefici, soft goods buyer for Linden, N.J.-based Supermarket Services, a nonfoods service merchandiser. "Supers should either keep tickets down to no-risk prices like $2.99, or establish clear-cut refund policies."

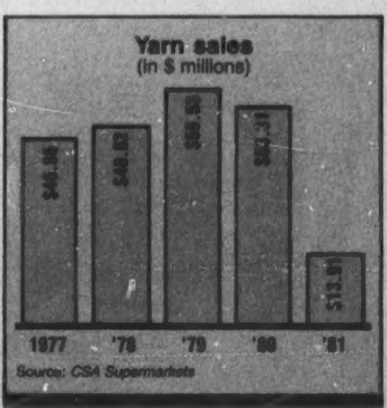
Underwear: Accounting for 4.54% of department sales, men's and boys' wear sank 40.94% to $43.73 million, which included a 45.56% decrease in underwear dollar volume. Some manufacturers have come up with special programs to help counter the downward trend. "In certain areas we're looking at using broker sales forces," says Tony Figaro, manager of the food and drug division of Union Underwear. "We're also looking at more co-op advertising, trade advertising, better fixturing and display pack promos." The company's efforts helped boost this year's underwear sales as much as 55% in some regions, Figaro reports.

Union Underwear's new fixturing is a key part of the company's supermarket program. Designed for pegboard or freestanding display, the fixture shows the Fruit of the Loom "talking fruit" characters on a header card. Sizes range from 2 to 4 running feet.

Regular promotion is an important factor in keeping sales buoyant, Figaro points out. "About 48%



Source: CSA Supermarkets



Source: CSA Supermarkets

Soft Goods: 1981 Performance—$2 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1981 Dollar Volume (Millions)	1980 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Hosiery	**54.97**	**$529.28**	**$467.62**	**13.19**	**55.19**	**$215.40**	**145**	**40.7**
Pantyhose	47.75	459.72	420.22	9.40	47.71	186.19	109	40.5
Stockings	7.22	69.56	47.40	46.75	7.48	29.22	36	42.0
Men's & Boys' Wear	**4.54**	**43.73**	**74.06**	**– 40.94**	**4.31**	**16.83**	**37**	**38.5**
Underwear	2.68	25.84	47.47	– 45.56	2.65	10.34	25	40.0
All Other Men's & Boys' Wear	1.86	17.89	26.59	– 32.71	1.66	6.49	12	36.3
Ladies' & Girls' Wear	**3.10**	**29.81**	**7.98**	**273.56**	**3.34**	**13.03**	**28**	**43.7**
All Other Ladies' and Girls' Wear	0.62	5.96	0.00	0.00	0.74	2.88	5	48.3
Infants' wear	**2.27**	**21.86**	**15.96**	**36.97**	**2.43**	**9.49**	**17**	**43.4**
Millinery	**0.21**	**1.99**	**3.55**	**– 43.93**	**0.20**	**0.79**	**2**	**39.6**
Gloves & Mittens [Not Rubber]	**3.10**	**29.81**	**23.05**	**29.33**	**3.46**	**13.50**	**11**	**45.3**
Socks	**7.64**	**73.54**	**70.92**	**3.69**	**8.01**	**31.26**	**54**	**42.5**
Shoes	**2.48**	**23.85**	**13.99**	**70.48**	**2.02**	**7.89**	**4**	**33.1**
All Other Apparel	**0.41**	**3.98**	**3.74**	**6.42**	**0.43**	**1.68**	**3**	**42.2**
Towels & Washcloths	**11.09**	**106.87**	**111.59**	**– 4.22**	**10.70**	**41.77**	**32**	**39.1**
Towels	5.96	57.42	72.69	– 21.00	5.25	20.50	15	35.7
Washcloths	2.45	23.61	17.62	34.00	2.44	9.52	2	40.3
Dishcloths	2.68	25.84	21.28	21.43	3.01	11.76	15	45.5
Pot Holders	**1.65**	**15.90**	**14.18**	**12.13**	**1.69**	**6.61**	**15**	**41.6**
Tablecloths & Placemats	**1.65**	**15.90**	**17.73**	**– 10.31**	**1.65**	**6.44**	**9**	**40.5**
Bed Coverings	**1.74**	**16.74**	**22.66**	**– 26.12**	**1.18**	**4.63**	**9**	**27.7**
Sheets & Pillowcases	0.71	6.80	6.70*	1.49	0.37	1.45	0	21.3
All Other Bedding	1.03	9.94	15.96	– 37.71	0.81	3.18	9	32.0
All Other Soft Goods For The Home	**2.06**	**19.88**	**24.82**	**– 19.89**	**1.96**	**7.65**	**11**	**38.5**
Yarn	**1.44**	**13.91**	**53.31**	**– 73.90**	**1.36**	**5.30**	**21**	**38.1**
All Other Needlecraft Items	**1.03**	**9.94**	**14.18**	**– 29.89**	**1.33**	**5.20**	**10**	**52.3**
Total	**100.00**	**$962.95**	**$935.31**	**2.96**	**100.00**	**$390.35**	**413**	**40.5**

% of total store volume . . . 0.47%

*Revised 1980 figure

of all underwear sold in supers is done through price promotions. It shows that supermarkets are beginning to play the apparel game like the rest of the mass merchants."

Domestics: Towels and washcloths fell 4.22% in dollar volume, reflecting big problems in bath domestics. Towels, as a separate category, dropped 21% in 1981 to $57.42 million. "Supermarkets have a lot of trouble with bath domestics," says Charlie Endel, soft goods buyer for Sav-A-Stop. "A lot of that merchandise is sold on promotions. But a lot are also fairly high-priced for the quality."

Endel suggests that supermarkets stay with promotional bath domestics. "Supers should run specials on an in-out basis, on regular and irregular towels. Rather than having a staple program, supers should establish a series of real value in-out promos."

Supermarket Services' Orefici says stores that do carry high-end towels should learn to merchandise them correctly. "You can't throw a bunch of towels on a shelf and expect them to move, especially if you're charging regular prices. Shoppers would rather go to a Macy's or specialty store where towels are organized and displays are beautiful."

Kitchen domestics, specifically, dishcloths, did much better last year than its bath counterpart. Dishcloths jumped to $25.84 million, a 21.43% increase over 1980. "There's been a trend toward consumer upgrading," says Dick Bridges of United Super Apparel, licensee of Fruit of the Loom. "There's been tremendous pressure on the midprice points. For an extra 50¢, shoppers know they can get a better towel, so they're trading up." Bridges points out that consumers are avoiding the traditional low end stripes and checks in favor of fashionable prints.

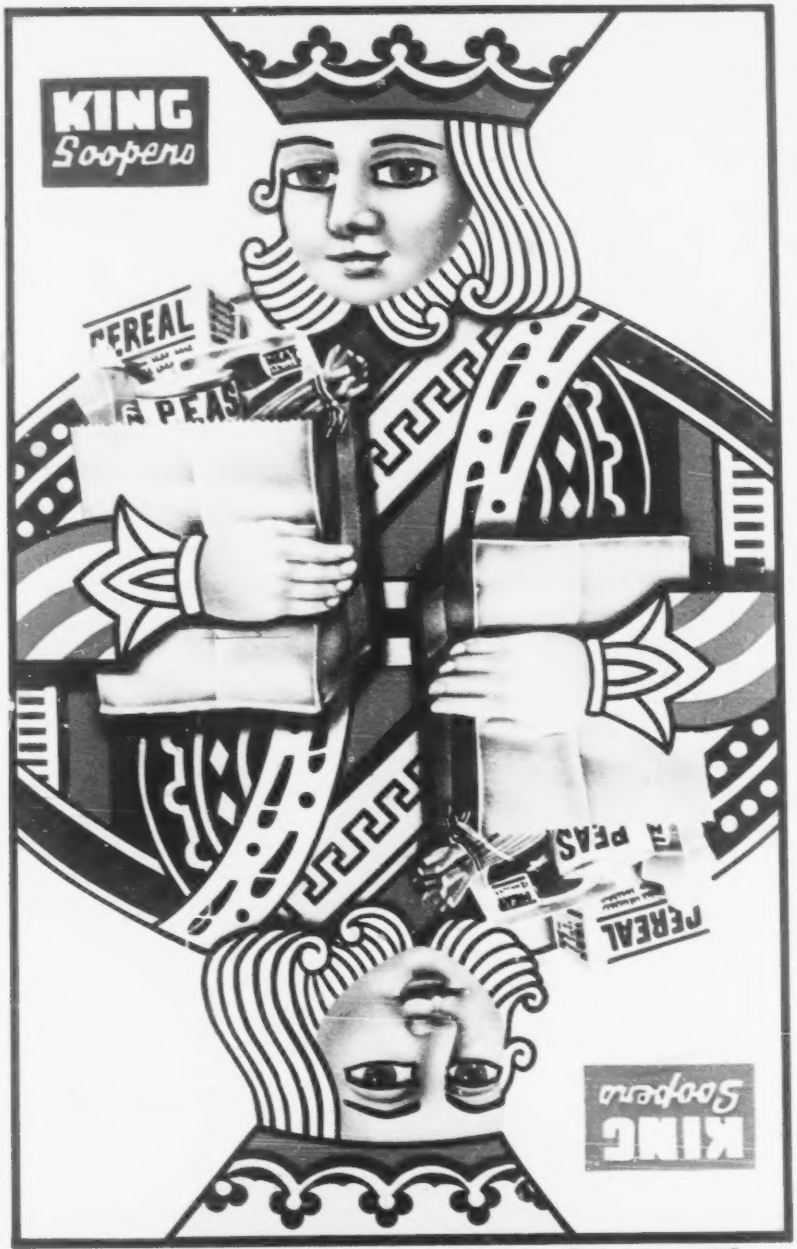
Shoes walked away with $23.85 million, a 70.48% jump over 1980. Accounting for 2.48% of total department sales, they owed their success to the many aggressive chains that stocked, advertised and promoted them to the hilt. More chains hit upon the perfect mix of sneakers, slippers and children's shoes.

But some stores grappled with the problem of fashion. "The footwear business is a toughie," says Sav-A-Stop's Endel. "Even when you get into simple canvas, it's become a style business. It used to be that sneakers were sneakers. Now color, style—an extra stripe—all dictate fashion." ☐

How DeMoulas steals Boston's heart

Bozzuto's: Striving for peak efficiency

Chain Store Age
Supermarkets
THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES
August 1982



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KING SOOPERS: KING OF GENERICS

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Marketing computers for mass appeal

Suddenly the distribution-limited home computer industry is opening up to mass merchandisers, discounters, even toy chains. The problem over the next few years will be allocations, not thin distribution.

by Douglas W. Stinson/Lebhar-Friedman Special Projects Editor

This month, Timex begins national distribution on the industry's first under-$100 home personal computer—the Timex-Sinclair-1000.

By year-end, the nation's leading discounter, K mart, will be selling Texas Instrument and Commodore machines in the $200-$300 range in at least 600 stores across the country—blanketing 80% of its target shopper audience for home computers.

By the Christmas selling season, Texas Instruments alone expects to be selling its models in no less than 1,500 discount stores throughout the nation.

This year, in fact, "pioneer" mass merchants will sell 1.2 million home computers and accessories in an estimated 8,000 outlets for total sales of $600 million. And by 1985, more than 33,000 large drug, discount, specialty, catalog, department and most combination drug/supermarket stores will account for more than $5.3 billion in home computer sales.

Going into the second half of the 80's, Lebhar-Friedman projects, retail stores will be selling personal computers at the rate of 8 million units a year (charts, pp.4-5)—turning them into price-sensitive commodity products that will alter America's lifestyle the way television did in the 40's and 50's.

Simply put, the personal computer is on its way to becoming a "shelf item" that will be promoted and sold as a packaged product through a rapidly expanding retail distribution system.

The trigger to this explosive development has been a combination of rapid price drops and growing consumer awareness of the computer as a recreational "toy" that can now be put to more practical uses in the home. What's more, today's smaller microprocessors pack more horsepower and are easier to use than the big business computers of two decades ago.

- In 1960, a mainframe IBM 360 did 33,000 additions per second at top speed, at a cost of $280,000, for instance. The new IBM Personal Computer introduced just a year ago, can do 700,000 computations a second—at a cost of between $4,000 and $5,000.
- Today's under-$500 machines are loading up with practical functions aimed at bridging the gap between fun and real applications: Basic school work, learning languages, tax planning, even bill paying programs are opening the door to what most experts consider the real profit-side of the home computer boom. Last year, according to recent market studies, every $1 worth of computer (hardware) volume produced 50¢ in peripheral (software and accessories) sales. This year, the ratio is $1 for $1 and by 1985, it is expected to be $3 worth of accessories for each $1 in hardware expenditures.

This explosion of the personal computer as a mass distribution consumer product is remarkably similar to the development of black and white television in the mid-40's, many experts believe.

In 1947, TV makers shipped 175,000 units for less than $100 million in sales. By 1950, units increased to 7.5 million with total volume upward of $1.7 billion. But the watershed year for television was 1949 when the average wholesale price fell under $200 and department stores dropped their price tags to the $200 level for the first time. At the same time, afternoon broadcasting expanded and the TV "habit" became a way of life in America.

The watershed year for the home computer is 1982.

The next four years—through 1985—will bring massive changes and upheavels in the marketing and retailing of the personal computer. But the shape of things to come can be easily seen in these early developments:

- Discount department stores will take an aggressive traffic-appliance approach to home computers, giving up margin on the base machines to build market share and to capture the high-gross "aftermarket" sales in accessories and software packages that are only now beginning to flood distribution channels. With K mart massing 600 stores nationwide, the total number of discount outlets selling personal computers could swell to 2,000 by year-end. Eventually, computers-as-commodity-products will probably be sold in 80% of all discount stores, omitting only the smallest and most rural outlets.
- Toy specialty chains will also be aggressive over the next few years

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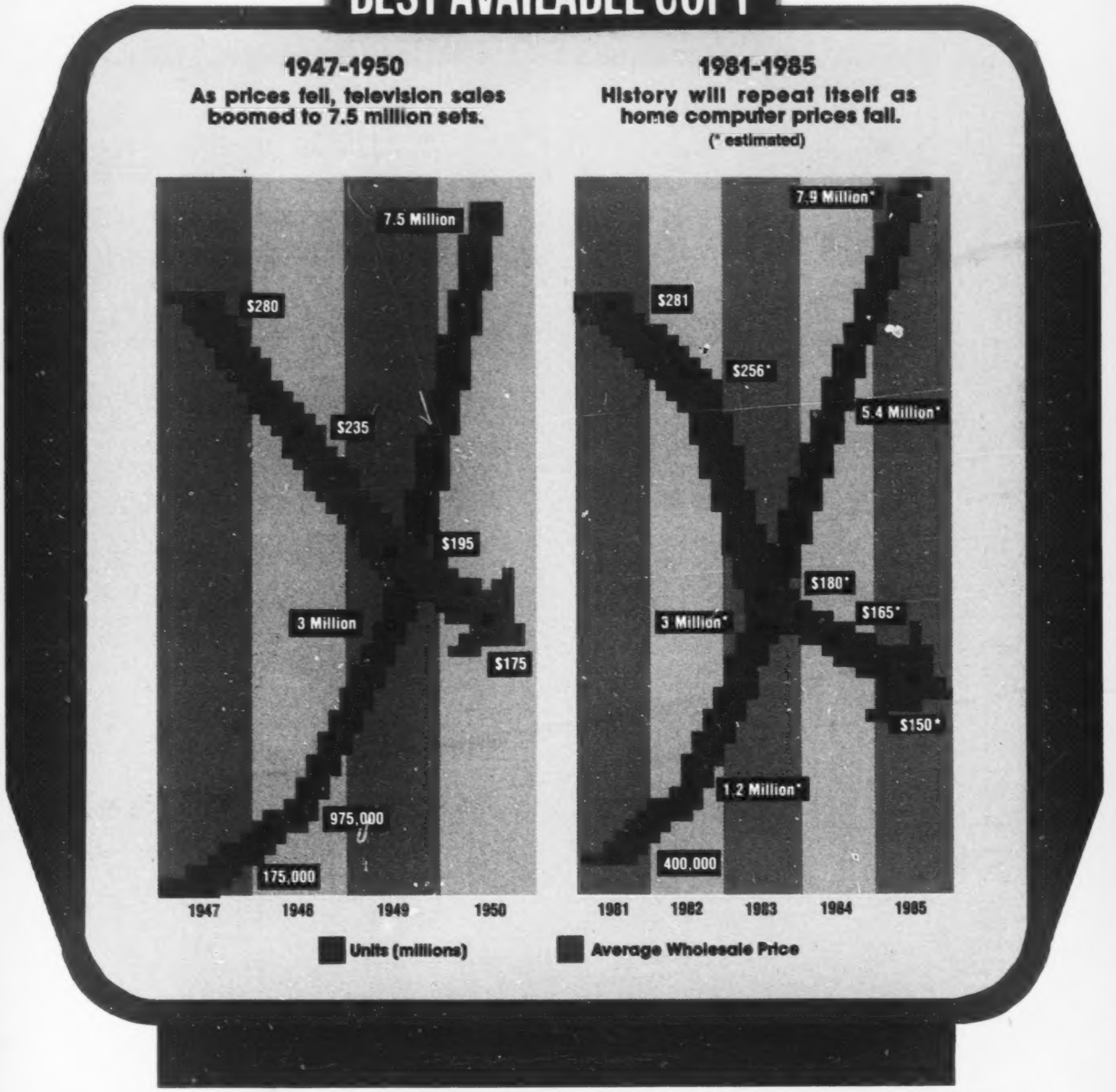
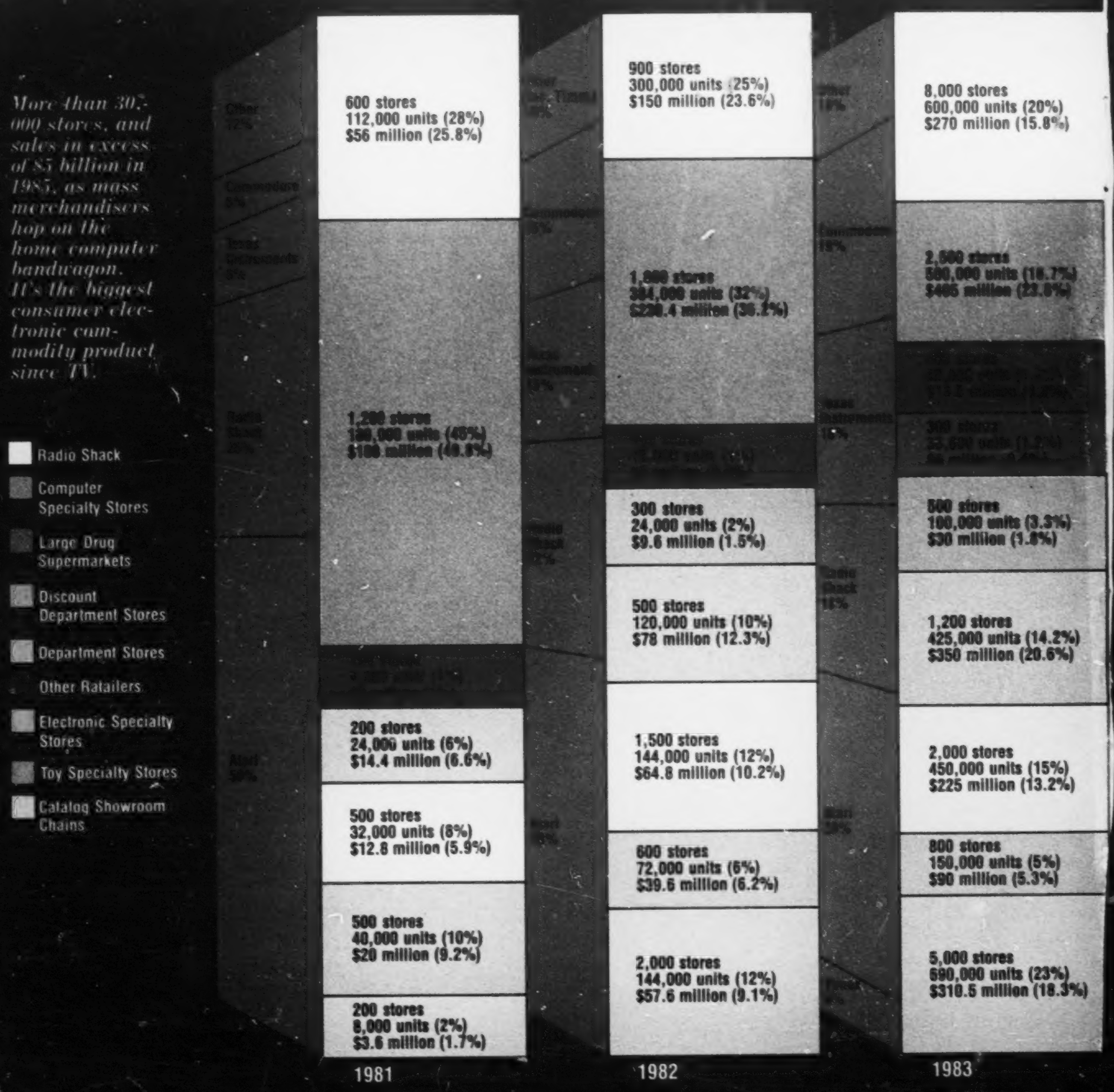


1947-1950
As prices fell, television sales boomed to 7.5 million sets.

1981-1985
History will repeat itself as home computer prices fall.
(* estimated)

—but they'll position the personal computer more as upgraded video game machines. Toys "R" Us and Play World are already promoting select units as traffic items—with emphasis on the cartridge games, but little attention to add-on accessories and more complex software program packages. Most toy specialists, it appears now, will stick to the lower-priced game models and steer clear of $300 to $400 models.

- Computer specialty chains are following the more lucrative commercial market, selling computer systems (Apple, IBM and others) in the $3,000 to $5,000 range to small businesses and professionals. From 1985 on, though, the specialists will inherit a portion of the home market as experienced home users (called "computerniks" in the newly developing jargon of the day) trade up into more sophisticated machines—whatever the 1985 equivalents of today's Apples or IBMs turn out to be. But their share will remain relatively small vs. the general merchandise stores. As more mass merchants jump on the personal computer in the next year, specialists' share of the home market will shrink from almost 50% in 1981 to 9%, Lebhar-Friedman research projects.



More than 30,000 stores, and sales in excess of $5 billion in 1985, as mass merchandisers hop on the home computer bandwagon. It's the biggest consumer electronic commodity product since TV.

	1981	1982	1983
Total No. Stores	3,300 stores	8,000 stores	21,100 stores
Total Units Sold	400,000 units	1,200,000 units	3,000,000 units
Avg. Sales per unit	$543	$530	$566
Total Sales	$217 million	$636 million	$1.7 billion

Sources used in the compilation of this data included company reports, government reports, industry analysts, interviews with leaders in home computer marketing, and Lebhar-Friedman research. Some columns do not add to 100% because of rounding.

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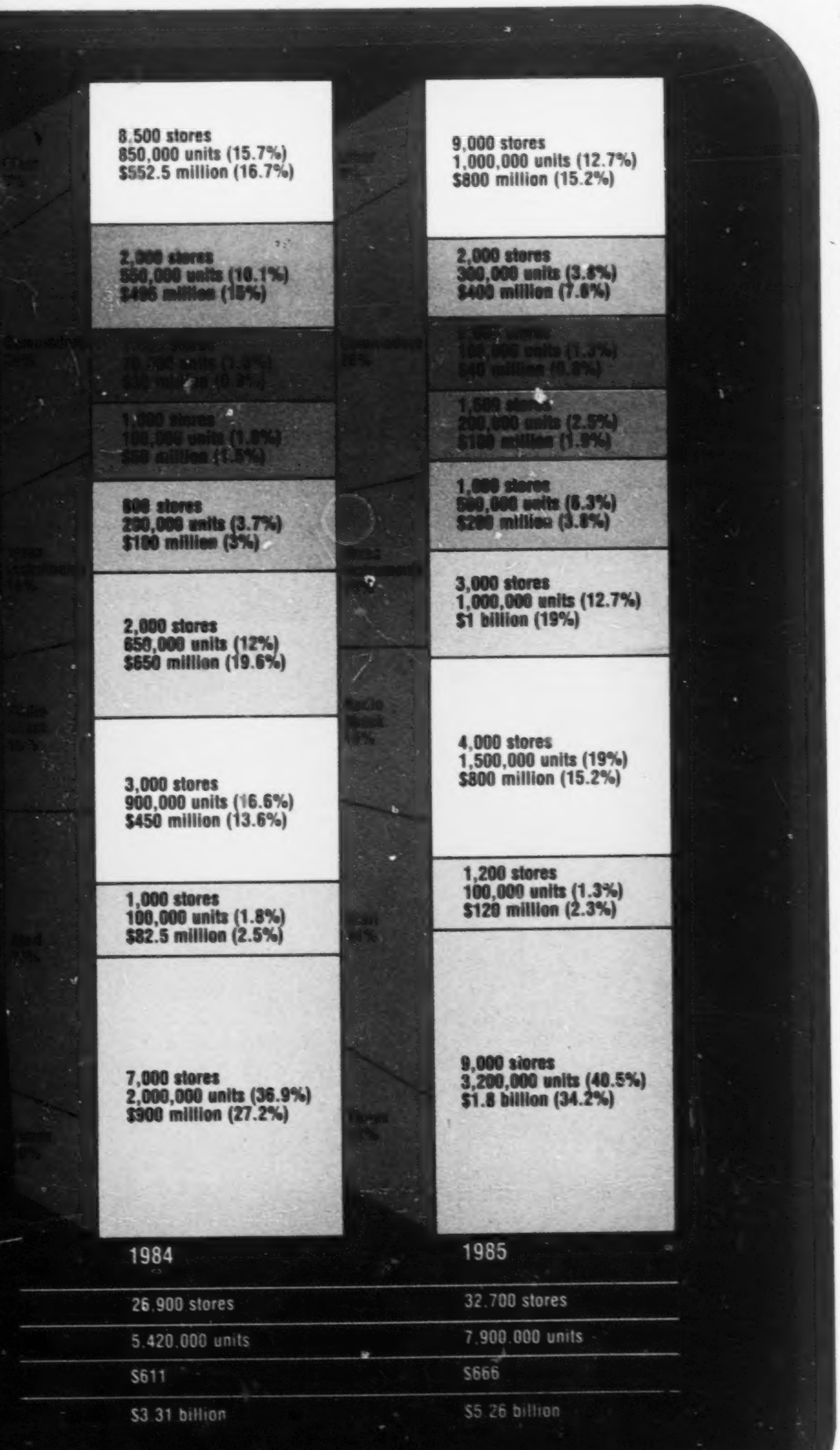

- Department stores, like the specialties, will also win a piece of the "second generation" home market with higher-ticket models by mid-decade on, studies indicate. But between now and 1985, department store share will slip due to price pressure from discounters, catalogers and toy specialists scurrying into the market.

Where it started: The first big step in converting the home computer into an electronic "commodity" was the Atari-400, which took consumers one step beyond the popular VCS game machine into a programmable accessory for the family TV. The 400 could be used as an entertainment center and an educational tool for the kids. Atari's consumer franchise in the video game segment legitimized the 400 and its $400 price tag made the purchase no more expensive than a new color television set.

Now, Texas Instruments, Radio Shack and Commodore are producing personal machines in the $300 and $400 range. The combination of radio Shack's $400 models and a groundswell of marketing and advertising efforts by computer-makers and mass-retailers this year has almost overnight transformed the once-mysterious computer into a high-ticket shelf-product "made" for retail distribution.

Perhaps the biggest shove to make the computer a product for the masses comes from the entry of Timex's "starter" machine. It combines an already powerful and recognized consumer product name with a price tag that can put the computer into more than 100,000 Timex retail stores in every market, large and small, in the country almost overnight.

"Not everyone knows what a home computer can do or how it operates," says a Timex spokesman. "But nobody is intimidated by the prospect of buying a Timex, and $150 [the price of the computer, including sufficient accessory memory to make it equivalent to other models on the market] is not a turn-off price point."

Whether this assessment is right or not, it is clear that the consumer *is* more aware (thanks to a barrage of recent ad breakthroughs by chains like Radio Shack, Wal-Mart, J. C. Penney, Toys "R" Us, Bambergers, etc.) of the personal computer as a status symbol (as TV was in the early days). Equally impor-

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tant, computer-makers are just starting to unleash new point-of-sale and packaging materials to make self-selling easier at mass outlets.

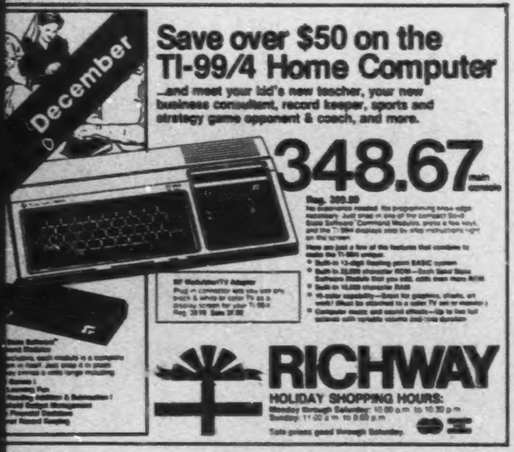
A standard Timex display can be mounted in only 6 sq. ft. of floor space, for example.

Developments like these will pave the way for larger drug stores—15,000 ft. and bigger—to add computers to their traffic appliance departments, industry experts reason. West Coast Long's Drug chain, for one, has already announced plans to carry Commodore's VIC-20 (and perhaps others) following successful tests in its California stores.

Large supermarkets (50,000-ft. class) such as Pathmark and Hinky Dinky may be selectively adding personal computer displays in select stores next year.

Who'll lead-the-way: In the early "developmental" stage, it is clear that general merchandise stores and Radio Shack will dominate this burgeoning market. Lebhar-Friedman projects that discount stores alone will sell more than 4-of-10 of

Mass merchandiser ads show increasingly



Save over $50 on the TI-99/4 Home Computer

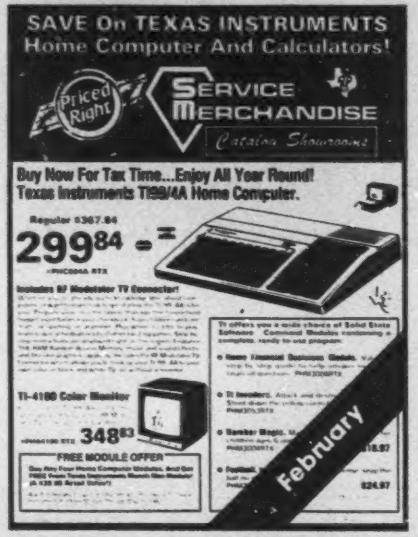
...and meet your kid's new teacher, your new business consultant, record keeper, sports and strategy game opponent & coach, and more.

348.67

RICHWAY

HOLIDAY SHOPPING HOURS:

The $348.67 Christmas promotion at Richway last year dropped quickly (by February) to $299, to match that shocker promotion by Service Merchandise. The $299 has become the standard ad price now, just as the March ad price of $329 at Tech Hi-Fi has become the standard Atari promotion. Even the department stores, including J. C. Penney, sell the TI 99/4A at the "bird" price—$299 in Penney's April ad—to get the birdseed business in peripherals later.



SAVE On TEXAS INSTRUMENTS Home Computer And Calculators!

Priced Right

SERVICE MERCHANDISE

Catalog Showrooms

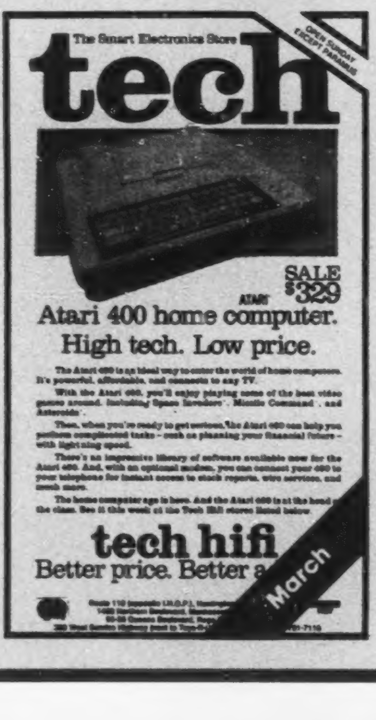
Buy Now For Tax Time...Enjoy All Year Round! Texas Instruments TI99/4A Home Computer.

299⁸⁴

TI-4100 Color Monitor

348⁸³

FREE MODULE OFFER



The Smart Electronics Store

tech

OPEN SUNDAY EXCEPT PARAMUS

SALE $329

ATARI

Atari 400 home computer.
High tech. Low price.

The Atari 400 is an ideal way to enter the world of home computers. It's powerful, affordable, and connects to any TV.

With the Atari 400, you'll enjoy playing some of the best video games around. Including Space Invaders, Missile Command, and Asteroids.

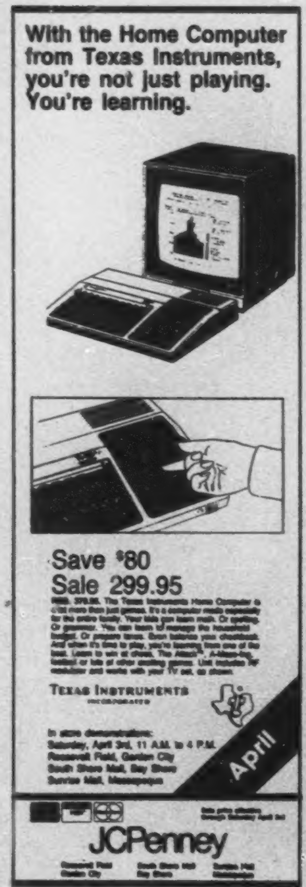
Then, when you're ready to get serious, the Atari 400 can help you perform complicated tasks – such as planning your financial future – with lightning speed.

There's an impressive library of software available now for the Atari 400. And, with an optional modem, you can connect your 400 to your telephone for instant access to stock reports, wire services, and much more.

The home computer age is here. And the Atari 400 is at the head of the class. See it this week at the Tech Hifi stores listed below.

tech hifi

Better price. Better a



With the Home Computer from Texas Instruments, you're not just playing. You're learning.

Save $80
Sale 299.95

TEXAS INSTRUMENTS
INCORPORATED

In store demonstrations:
Saturday, April 3rd, 11 A.M. to 4 P.M.

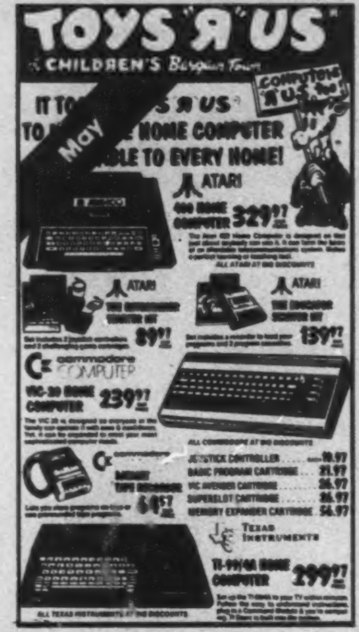
JCPenney

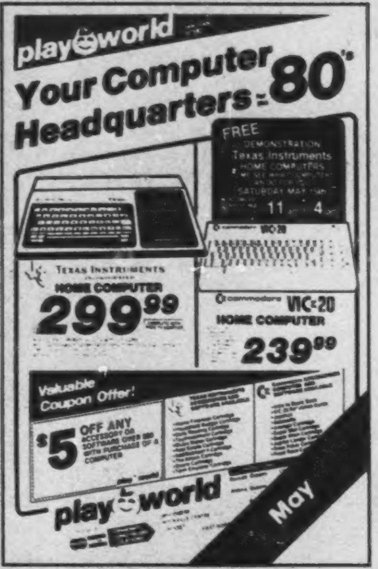
all units sold for home use between now and 1985—accounting for more than a third of the $5 billion projected sales in the next three years. With less than half as many stores, catalog showrooms will do 19% of the business in 1985, for $800 million volume and just over 15% of the mass-market share.

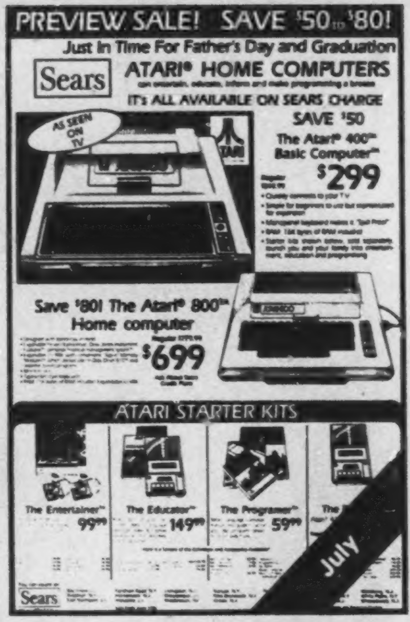
Radio Shack will continue to be a major force and should have at least a 12% share of units sold in 1985, despite the thousands of new outlets coming on-stream to sell home computers between now and then. The key to Radio Shack's hefty share will be its new $399 Color Computer (plus developments still to come) and merchandising of the personal computer in 7,000 standard Radio Shack stores to augment the 800-plus Computer Centers planned to serve the small business market in the future.

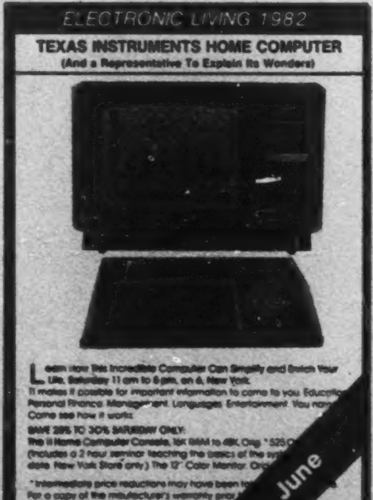
From 1980 to 1981, the sale of personal home computers increased more than 10 times (from 35,000 to 400,000 units) and this year, they're expected to triple. (Interestingly, television sales also increased 10

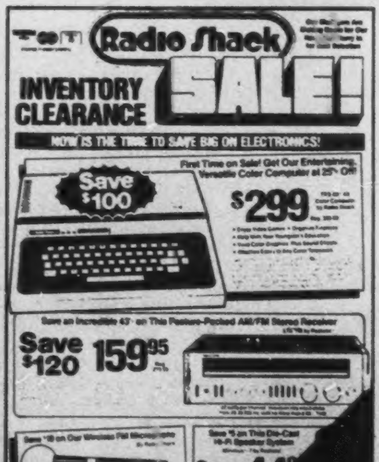
promotional market


TOYS "R" US
CHILDREN'S Bargain Town
IT TO... "R" US TO ... HOME COMPUTER ...BLE TO EVERY HOME!
ATARI
400 HOME COMPUTER 329.97
ALL ATARI AT BIG DISCOUNTS
ATARI 89.97
ATARI 139.97
commodore COMPUTER
VIC-20 HOME COMPUTER 239.97
ALL COMMODORE AT BIG DISCOUNTS
JOYSTICK CONTROLLER 10.97
BASIC PROGRAM CARTRIDGE 21.97
VIC AVENGER CARTRIDGE 26.97
SUPERSLOT CARTRIDGE 26.97
MEMORY EXPANDER CARTRIDGE 54.97
TAPE RECORDER 64.97
TEXAS INSTRUMENTS
TI-99/4A HOME COMPUTER 299.97
ALL TEXAS INSTRUMENTS AT BIG DISCOUNTS
COMPUTERS "R" US too
May


play world
Your Computer Headquarters in the 80's
FREE
DEMONSTRATION
Texas Instruments
HOME COMPUTERS
SATURDAY MAY
11 4
TEXAS INSTRUMENTS
HOME COMPUTER
299.99
commodore VIC-20
HOME COMPUTER
239.99
Valuable Coupon Offer!
$5 OFF ANY ACCESSORY OR SOFTWARE OVER $50 WITH PURCHASE OF A COMPUTER
play world
May


PREVIEW SALE! SAVE $50 to $80!
Just In Time For Father's Day and Graduation
Sears
ATARI® HOME COMPUTERS
IT'S ALL AVAILABLE ON SEARS CHARGE
SAVE $50
The Atari® 400™ Basic Computer™
$299
Save $80! The Atari® 800™ Home computer
$699
ATARI STARTER KITS
The Entertainer™ 99.99
The Educator™ 149.99
The Programmer™ 59.99
Sears
AS SEEN ON TV
ATARI
July


ELECTRONIC LIVING 1982
TEXAS INSTRUMENTS HOME COMPUTER
(And a Representative To Explain Its Wonders)
Come see how it works.
SAVE 20% TO 30% SATURDAY ONLY.
bloomingdale's


Radio Shack
INVENTORY CLEARANCE SALE!
NOW IS THE TIME TO SAVE BIG ON ELECTRONICS!
First Time on Sale! Get Our Entertaining, Versatile Color Computer at 25% Off
Save $100
$299
Save $120 159.95
NOW BACK IN STOCK!
6.95
Save 10% 44

The big toy chains jumped in in May, as Play World and Toys "R" Us ran these ads. Play World adds a little customer service as a draw, but the department stores (who can maintain a higher price point; see the June Bloomingdale's ad for the TI at $360) offer more extensive customer seminars and training. In July, Radio Shack finally responded to the computer price wars with its first-ever promotion of the Color Computer at $299. Later, Sears got back in the business with Atari (the 400 at $299, the lowest promotional price ever until Toys "R" Us hit $269 three days later).

times between 1946 and 1948, then tripled in 1949.)

Wholesale prices for three of the leading home computers sold in general merchandise outlets have all been slashed this year, to under $300. Commodore is now wholesaling its VIC-20 under $200 and Timex' cost-to-the-retailer is roughly $75. (Wholesale prices for TV also broke the $200 level in 1949, incidentally.)

Despite close parallels with the growth of television as a major consumer product in the late 40's, there is one major difference between it and the home computer: the so-called "aftermarket" which is projected at roughly $300 million this year and should be upward of $5 billion for software alone by 1985, according to recent projections. It will swell to a whopping $25 billion category by 1990.

More software is coming through a widely disbursed supplier pipeline monthly from a responsive and energetic cottage industry which is struggling to keep up with demand. Besides hardware accessories (joy sticks, printers, etc.), a well-stocked computer department would stock converters (which allow software packages to be used interchangeably between different makes of computer), printers and special "drive" devices to tack on other applications, and a wide range of how-to instruction books to take the novice from start-up to more complex computer experiences.

"Positioning" the computer: At this stage, there is little agreement by retailers about how the personal computer should be marketed. Department and discount stores see it as another home appliance with price as the key; they're selling price and nonrecreational features, almost exclusively.

Toy specialists see home computers as upgraded game accessories for the family television and they're concentrating on features like improved graphics and larger libraries of "hot" new games.

The computer/electronic specialists, on the other hand, combine advanced hobbyist interests with hard-nosed applications and aggressive pursuit of the small businessman. They concentrate on knowledgeable sales help and service for machines with entry price points of $3,000 to $5,000.

In the earliest stage, discounters and department stores are positioning the personal computer as a family appliance with in-store demonstrations and "computer fairs." They're taking advantage of vendor

Mass merchandiser displays evolve to flashier, more exciting look

Caldor, the upscale New England-based discount department store chain, has always had an extensive consumer electronics department, and founder Carl Bennet has always been willing to experiment. The chain has added a three sku assortment to its CE department, using the 50-sku Texas Instruments merchandiser (on the right, photographed in the Stamford, Ct., store) and putting the Atari 400 and 800 on the shelf. All three units are working models. The end cap (facing the television wall) is a glass case of software for the three computers carried by Caldor. Macy's, nearby in the affluent Stamford market, carries a four-sku assortment; the two Atari machines, Commodore's VIC-20 and the Texas Instruments 99/4A. Most of Caldor's stores are in the affluent suburban markets that typify the best markets for the home computers. (Lebhar-Friedman photos)

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training and tieing in with special computer camps for kids that major makers like Texas Instruments and Atari have mounted this past year to draw public attention to the joys of owning your own computer.

TI, for example, is launching a summer camp in 36 cities around the country this year (charge is $65 per person for four 2½ hour daily sessions), and expects to attract 80,000 children this year. Atari is aiming at 6,000-7,000 participants in its week-long camps.

In-store demos play an important role, too, retailers point out. "We sell a few units after each demonstration," points out divisional merchandise manager Dean Sanders of Wal-Mart after recent Atari demos in his stores. "Shoppers don't all buy that first day—they come and look, then go home and make up their mind. If they come back two or three days later, they're usually hooked—and they buy the computer, a couple of games and educational programs. After that, they keep coming back for additional software, a home financial program, for example."

Some retailers liken the computer to live birds (which most give away at or near cost) and accessories to birdseed, "which is where the real profits and return sales are," points out one veteran store man.

Markups for accessories range comfortably in the 30% to near 50% bracket—and they're attractive enough to spawn a new-breed competitor that traditional retailers will have to watch closely as the home computer boom intensifies.

Freestanding software stores and chains (i.e., Programs Unlimited in the New York area) are producing average sales of $100-plus, according to current reports.

How discounters stack up: Wal-Mart's 1981 test of the Atari 400 began in just three stores in Texas and was later expanded to 12 stores in three states. Since the early test, promotional prices have pitched as low as $329 on the $279-cost machines. A new display fixture that combines computers with video cassette players and disk players into a "high tech showcase" may be introduced to all Wal-Mart stores between now and 1983, insiders report.

Richway, another southeastern (Atlanta-based) discount chain also approaches the home computer as an appliance, with advertising for the TI 99/4A that stresses financial, filing applications and educational formats in the home. Its $348.67 promotional price is typical of the

The displays mounted by mass merchandisers testing the home computer market have evolved as rapidly as the market itself. Wal-Mart's early Atari-on-a-shelf display was typical when it appeared last Winter, and has been successful for many chains. The Caldor display shown on the left and the Macy's presentation shown on another page are typical of the current "state of the art" in merchandising home computers—working models, demonstration software and eye-level video. But the flashy computer fair pictured above at the Paramus, N.J., Bamberger's is the new wave of merchandising. The chain took full advantage of the promotional aids offered by Atari, Commodore and Texas Instruments, and added a generous portion of imagination and its own sweat to create an exciting computer corridor jam-packed with sales representatives.

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TI model which costs $295 and has an everyday price tag of $399. (Richway has also promoted the machine as low as $299.)

Like most discounters, Macy's department stores also merchandise computers as home appliances, but locks them in glass showcases with working monitors in the walls above. Vendor-supplied programs run the monitors stressing practical uses, but they're shown alongside the Atari VCS game machine and Mattel's Intellivision. The big department store chain clearly wants to capitalize on both game and functional interests.

Macy's probably now has the most comprehensive assortment of machines among the mass outlets. It is currently carrying the Atari 400, Commodore VIC-20, Atari 800 and a wide selection of peripherals (including a disk drive, printer, telephone model which allows telephone link-ups between computers). But its prices tend to be noncompetitive: Earlier this spring, its stores were promoting the Commodore at $320, $21 *above* the $299 suggested retail.

Norman Ricken, pres. of Toys "R" Us, takes the position that home computers under the $400 price point should be considered as "game machines essentially."

"Sure, our customers will justify the purchase with more high-minded rationalizations," he says. "They'll talk about educational programs and home finance formats. But we feel they'll use it as a game machine—and that it will replace the video game we sell now. Why buy Intellivision or Atari when for the same money you can get something that can do a few more tricks."

With this thinking, Toys "R" Us has decided to merchandise three major computers (Atari, Commodore and Texas Instruments) in its stores this year. (There was no decision on Timex as we went to press with this special home computer report.)

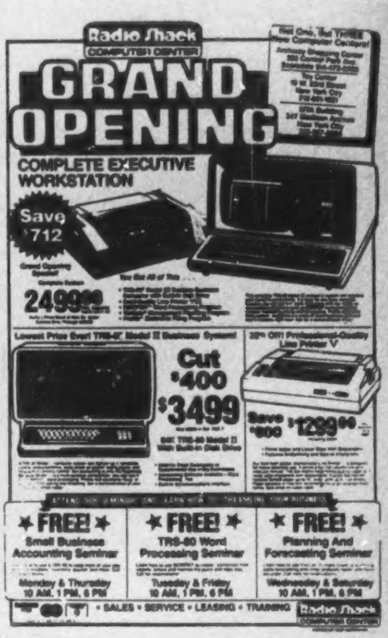
"We plan to sell them in our present environment, strictly self-service," Ricken points out. "We'll display them the way we display the Atari VCS now—without any operating display units. They just tie up aisle traffic, anyway. Besides, the customer will see the machines demonstrated in other stores and they'll get all the presell on television. Our job is to have the product in stock and at the best prices they

Computer specialists concentrate on small business and professionals

The typical computer specialty store has been open less than three years, is located in a small shopping center, employs five salespeople and is operated by an independent retailer. December is the strongest sales month, July is the weakest, and the assortment includes five or fewer computer lines.

Salespeople are compensated with a combination of salary and commission, and the primary selling point is customer support and service.

The computer specialists will stay in the home computer business only to stay complete. The emphasis will be on the business, professional and industrial markets, where high-ticket systems sales provide the gross margin dollars necessary to support the service and support which are the prime selling points.


Radio Shack
COMPUTER CENTER
GRAND OPENING
COMPLETE EXECUTIVE WORKSTATION
Save $712
2499
Cut $400
$3499
Save $1299
FREE! Small Business Accounting Seminar
Monday & Thursday 10 AM, 1 PM, 6 PM
FREE! TRS-80 Word Processing Seminar
Tuesday & Friday 10 AM, 1 PM, 6 PM
FREE! Planning And Forecasting Seminar
Wednesday & Saturday 10 AM, 1 PM, 6 PM
• SALES • SERVICE • LEASING • TRAINING
Radio Shack
COMPUTER CENTER

Competition in the small business side of the small computer market is intense. Radio Shack runs frequent ROP ads in* the New York Times, *provides hands-on service by its commission sales force.

First-year add-on sales an important part of computer specialty sales

Customer Type	Per cent of Sales	Typical System Price	12-Month Add-Ons	# Visits	Weeks to Close
Business	*50.8%*	*$9,460*	*$1,771*	3.6	5.1
Industrial	*18.2*	*6,192*	*1,372*	2.8	4.3
Home	21.4	2,699	953	3.4	3.4
Hobby	6.9	1,574	857	2.1	7.5
Education	18.2	4,017	814	2.1	7.5
Professional	*15.8*	*7,696*	*1,111*	2.9	3.5

The lucrative aftermarket—mostly in higher margin peripherals and software—can come quickly in the computer specialty store, with first-year add-ons averaging more than 25% of the original cost. Home and hobbyist add-ons showed the highest percentage of first-year add-ons. (Source: Survey of computer specialty stores by *Computer Retailing*, 1981)

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There was a time when all computers were big. They were also costly and complex.

Nevertheless, they were very well-suited to the jobs they had to do. But the average person rarely saw one of these computers and certainly didn't consider using one. At IBM, something has been happening to computers. They have been getting smaller. Their prices have been shrinking. And the special knowledge required to use one has been reduced dramatically. Our IBM Personal Computer, for example, is small enough to fit on a desk blotter but its power is equal to older computers many times its size. Today, small IBM computers can help businesses of all sizes manage their growth. [illegible]

IBM

IBM has gained distribution through the 50 planned Sears Business Systems Centers and Computerland, which has more than 300 domestic franchised stores. This ad ran the same day as the Radio Shack ad (left), just after IBM opened its first Manhattan product center.

Accessory sales lift overall specialist margin to 36.6%

Product Type	% of Sales	Turns	Margin	% Overall Margin
Hardware	52.9%	8.8	30.4%	16.1%
Software	18.4	8.4	41.3	7.6
Systems*	40.3	7.0	39.3	—
Supplies	7.9	14.1	40.1	3.2
Service	8.2	—	42.8	3.5
Training	5.6	—	47.9	2.7
Components/Parts	4.8	N/A	40.4	1.9
Books/Magazines	4.5	N/A	35.5	1.6
			Overall	36.6%

The low-margin hardware brings in the customers, and dealer support for the customer provides the profits in the typical computer specialty store. (Source: *Computer Retailing* survey)

*"systems" are combinations of hardware and software for a specific purpose

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can find.

By 1985, the toy specialists should claim a hefty share of personal computer sales with this approach, Lebhar-Friedman research concludes—in the neighborhood of $200 million through an estimated 1,000 outlets.

But some 4,000 catalog showroom outlets by then will carve out an even larger share ($800 million) and will be selling an estimated 1.5 million personal computers a year, second only to the discounters in unit-volume.

Most major catalog showroom chains, in fact, have already moved into the classification with at least two in-stock units: The majority feature the TI 99/4A in their books and the Atari 400 as an NIC (not-in-catalog) item in select showrooms.

Everett Purdy, senior merchandise vp at Service Merchandise says he thinks discounters and department stores may shy away from the TI 99/4A because of its price volatility. It was Service Merchandise that shook up the field when it broke a promotion on the Texas Instruments model at $299 earlier this year—just $4 above cost. (The move, incidentally, forced K mart managers to back off from their everyday price of $347.)

(The wholesale price of the 99/4A just dropped from $347 to $295—a $52 reduction that should stir up the competitive pricing battle even more in coming months, industry observers note.)

The catalogers typically stress useful applications in their catalog copy. For Texas Instruments' machine, Best Products says: "Help your kids learn to read and spell." When Atari is promoted in the Service' book, it's sold as "The hottest electronic game action, plus a powerful home computer."

Sears takes a stand: Of all the

Five machines make the market

The leading home computers have been priced all over the lot, from just above cost promotions of the Atari and TI 99/4A to higher-than-suggested retail for the Commodore VIC-20.

	Timex-Sinclair 1000	Atari 400	Radio Shack
Wholesale Price	$100 (a)	$249	—
Sugg. Retail	$150 (a)	$399	$399
Memory (c)	16K RAM	8-16K RAM 10-26K ROM	4-32K RAM 8-16K ROM
Keyboard	Membrane	Membrane	Typewriter
Recent Retail	(d)	$329 at Wal-Mart $329 at Willoughby $389 at Target $327 at Serv. Merch. $327 at W. Bell $299 at Sears $269 at Toys "R" Us	$399 at Radio Shack Stores Only $299 in May

(a) Estimated total wholesale cost of basic 2K machine and a 16K memory plug-in that brings capacity of machine on a par with others.
(b) For distributors. Quantity orders from retailers cost $205, small orders from retailers cost $215, approximately.
(c) Basic machine includes lower of first two numbers; add-on memory chips add cost.
(d) The Timex/Sinclair 1000 is not yet on the market.

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early 1982 decisions that were made on personal computers, Sears, Roebuck's heavy commitment to the business market (through free-standing Sears Business Systems Centers—50 by year-end) and postponement of the home market was perhaps the most surprising.

Recent developments indicate Sears has "reconsidered" its one-way street move and reportedly will test Atari and Texas Instruments models in its retail stores, though "It could be a Sears machine," according to Edward Brennan, chairman of the merchandise group. As many industry observers see it, with a huge consumer franchise in home appliances and marketing potential in the allied banking, insurance and credit services businesses, Sears is a natural for personal computer retailing.

Apparently, Sears is opting to tap into the bigger, better defined and potentially larger small business potential for the long haul. It had tested the Atari 400 for at least two years but with so-so results. "We were too early," says Brennan.

Some wonder if Sears might be a little too late into the business market, on the other hand, where Radio Shack (300 computer centers, 500 computer departments, more than 7,000 stores) and Apple (more than 2,500 outlets nationwide) already share about half the market volume.

Sears' major computer entry—the new IBM—has 4% of the market last year and is aiming for 15% this year. But the nation's largest retailer does not own an exclusive on IBM (which only recently launched into the retail business itself). The IBM unit is also sold in 300 competing Computerland franchise specialty stores, and will soon appear in other specialty stores.

Specialists shun home machines: The home computer tends to be a stepchild in some specialty operations. Because most specialists offer high levels of service (education, training and after-the-sale "hand-holding"), and because they pay commissions to their salespeople, most specialists shun the lower-price machines. "The low-gross dollars returned on the sale of a $300 or $400 machine just won't pay the way in our type operation," a Computerland store manager points out. "If we sell them at all, it's as an afterthought."

Even mighty Radio Shack has de-emphasized its $399 "Color Computer" in all of its so-called "dedicated" computer stores and departments.

Today, roughly 20% of Radio Shack's entire business is generated by computers sold to the business community—which is why it plans to have 300 business centers operating by year-end and 500 or more departments in key stores around the country. It wants the businessman and professional computer hobbyist and is working to attract him with a total effort.

"These computer centers have to be accessible by car," explains Jon Shirley, vp of Radio Shack's fast-growing computer division. "We must have a parking lot and a short walk to the door for our business customers, in our opinion. Hobbyists, kids and a lot of walk-throughs are not for us, so neither are mall locations."

The $399 Color Computer is usually displayed inconspicuously on the back walls of most units. Recent shoppers note that the sales help is usually unable to find a game cartridge or other software attachments for the personal machine quickly when they're asked to demonstrate the model.

Commodore VIC-20	Texas Instruments 99/4A
$198 (b)	$295
$299	$399
5-32K RAM	16K RAM 26K ROM
Typewriter	Typewriter
$320 at Macy's $299 at Bamberger's $279 at Willoughby $229 at Camera World	$347 at K mart $388 at W. Bell & Co. $367 at Serv. Merch. $299 at J. C. Penney, K mart, Richway, Serv. Merch.

TEXAS INSTRUMENTS
HOME COMPUTER CENTER

K mart has installed the Texas Instruments merchandiser (pictured in a Chicago-market store) and the Commodore merchandiser in some 600 stores to reach the bulk of their target computer customers. (Lebhar-Friedman photo)

The business market: $12 billion in 1985

Some of the biggest names in American business—IBM, Xerox, Sears—have joined in an almost unseemly scramble for market share in the booming business and professional market for personal computers.

Just as 1982 is the watershed year for home computer sales, 1981 was the year business-level personal computers took off. Experts predict a $12 billion market by 1985, and there are already more than 175 vendors in the market. Sears, IBM and Xerox are just a few of the big names in American business that have taken extraordinary measures to participate in the market.

Sears has opened a new chain, the Sears Business Systems Centers, to sell a broad mix of electronic office equipment, including the new IBM personal computer, and plans to have 50 open by the end of 1982.

IBM, in a radical departure from its normal operation, purchased components from other manufacturers to package as the IBM personal computer, then compounded that drastic move with two others—setting up its own retail stores, and making supplier deals with Sears and Computerland to sell the machine as well; and IBM did it all in less than a year.

Xerox has also opened its own retail stores, and now has almost 50 across the country. But the most radical step is "just in the 'what-if' stage right now," according to Michael C. Fleming, vice president of store operations, who says that Xerox is considering a franchise operation to speed up the expansion of its stores.

"Whatever it takes to sell we'll do it," said Fleming. "We're considering mail order too."

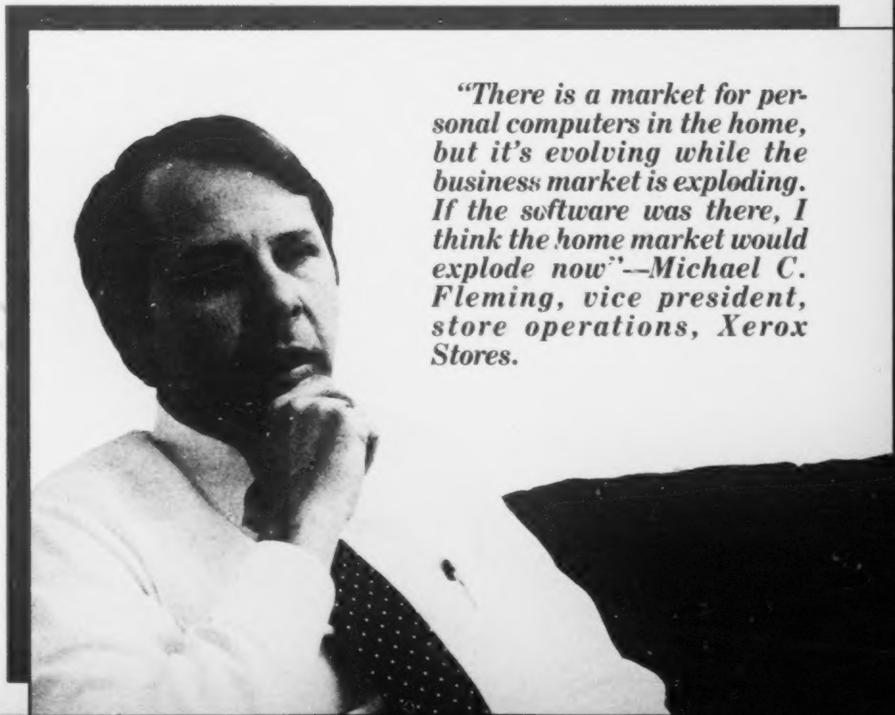
Xerox has some catching-up to do. Apple and Radio Shack share almost 50% of the commercial personal computer market, and IBM is in third place already with a 4% share in 1981. The emphasis is not just on the Xerox share, however; it's on a share of the electronic office equipment retail market that is typified by the Sears stores and by Xerox.

Both sell products from other manufacturers, both offer complete systems approaches, and both have selected the top metro markets for their initial store locations.

"The revolution is in the seven million or so small businesses that are not located in the home," said Fleming. "They've sorely needed computers for years. People in business *have* to make changes, they have to progress. The home market hasn't evolved yet because people do *not* have to change in their homes.

"There's a huge market for graphics too, and the beautiful part of it is that those sales can be driven down to the lowest levels of the organization. Did you ever meet a sales manager who didn't want to put his people's performance on a beautiful four-color chart for a sales meeting? It's a $1,500 to $8,000 market, but a big one."

The Xerox stores are merchandised for small-business men, with systems set up in typical office settings. On a side wall, an Apple II



"There is a market for personal computers in the home, but it's evolving while the business market is exploding. If the software was there, I think the home market would explode now"—Michael C. Fleming, vice president, store operations, Xerox Stores.

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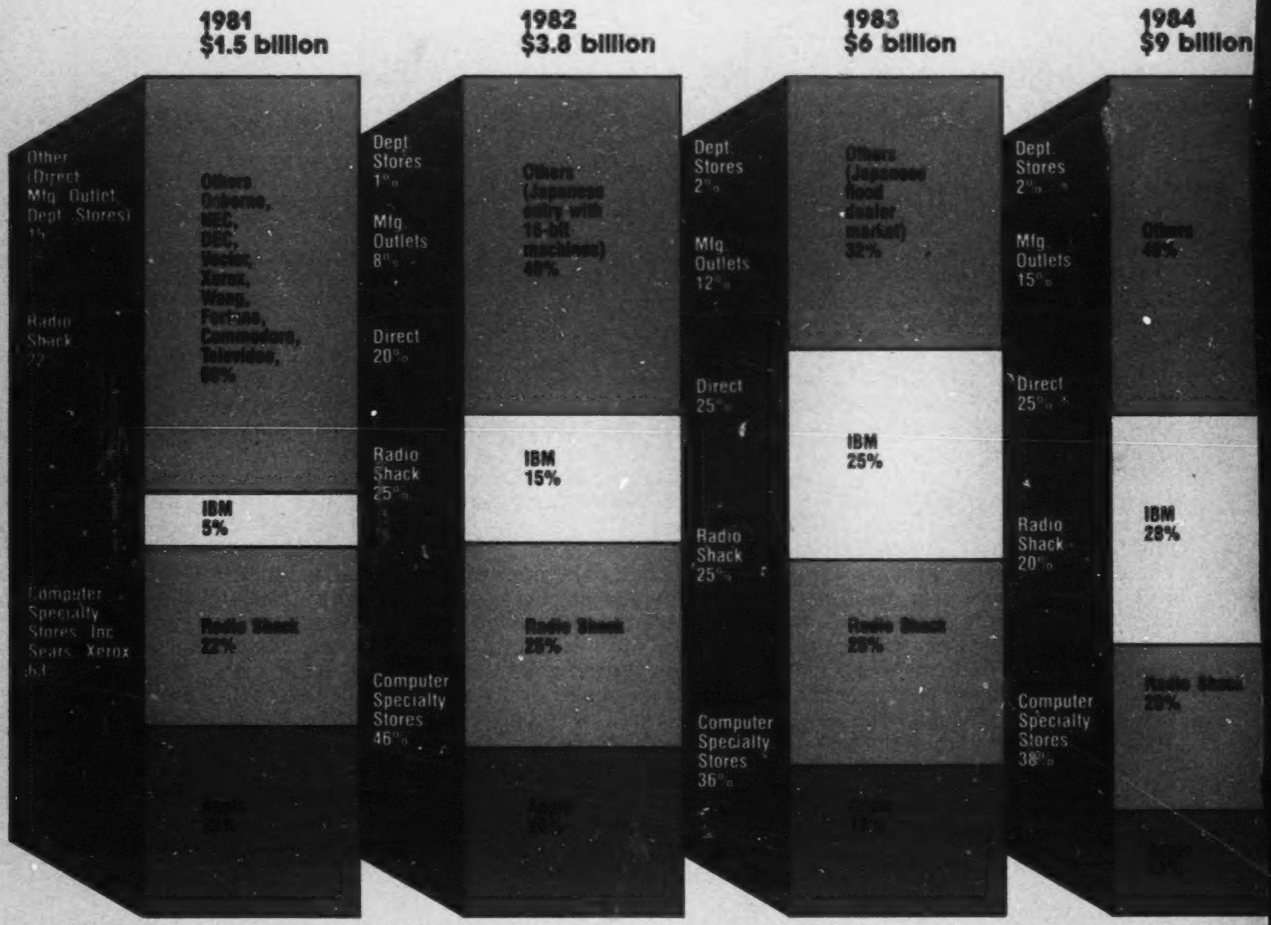
Small business market gets hot



computer was combined with a printer, two disk drives and a 9" black and white monitor and tagged at $3,287. Next to it, a Xerox 820 computer in a similar configuration was priced at $2,499.

The main display, an island in the middle of the sales floor, shows the Osborne portable computer—a suitcase-sized computer that is sold with five software packages and which has a self-contained 5" screen—at $1,795, and two Apple systems at $2,892 and $3,495.

Xerox copiers get one wall, and other office products (telephone answering devices, Xerox typewriters, calculators, supplies, etc.) fill the rest of the space.

Fleming traces the genesis of the hot personal computer market (in business applications) to increases in the white collar work force and the need to make those workers more productive.

"More than half the work force is now engaged in paperwork in some way," he explained. "We make something like 16 *trillion* copies a year. Our real cost basis is in the white collar workers.

"When it costs $6.50 to type and send a letter, and a word processor gets that cost down to $1.50, that's real savings. When a small-business man has to spend eight hours a week doing his payroll, he needs a faster method. The savings in time may not result in a real productivity gain—he may choose to make that eight hours leisure time; but it may free him up for some creative thinking, for some activity that will lead to new jobs, and new products."

If real productivity gains are the driving force behind the boom in business applications, ease of operation and useful applications in the home will ignite the home market.

"Computers have to be user-friendly for the home market," said

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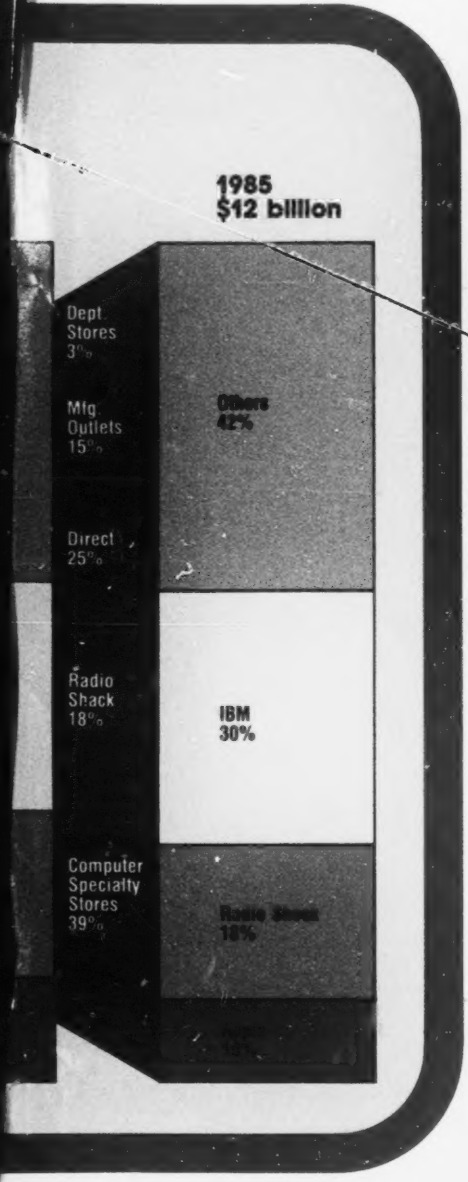


Computers
Capabilities for you
TYPEWRITERS

Xerox has almost 50 Xerox Stores open now, in major markets across the country, and may be considering franchising the stores in order to accelerate the chain's expansion. The customer above eventually narrowed his choice down to the Osborne portable.

Fleming. They have to *do* something, right away, when the consumer brings them home.

"Let's say the user wanted to take a vacation. He could go shopping for a trip—type it into the machine—and the next thing he knows, he'll be looking at a 10-minute segment on Austria, or England, or wherever he wanted to go. The program could list the travel agents, the best hotel deals and a lot of other details.

"And it has to be easy to use," continued Fleming. "Instead of giving the new owner a manual in the box, we should give him a ROM-pack system that he could insert in the computer, and follow along by filling in the blanks.

"The software technical people have to find themselves a 10-year old who can unbundle their language," added Fleming, citing the frequent use of the term "menu-driven" as an example of jargon unfamiliar to a home computer purchaser. (Fleming's use of his own jargon—"unbundle the language" for example—went unnoticed.)

Fleming went on to list other factors he sees as necessary for real growth of a home market; "games that are played between households, links between the home and national data banks, the ability to order up research for home work assignments"—all of which are possible now.

"By 1995, I suspect that every home will have a computer," Fleming went on. "Computers are addictive. Once you start working on one, and having some fun, it's hard to stop."

With all that potential market in the home, has Xerox considered entering the market?

"We're a convenience-driven society," said Fleming. "But the people are starting to ask now how *much* convenience they need. How much convenience is more than enough? Xerox is concentrating on the business market."

ComputerLand

Computerland has franchised more than 300 stores in the United States, plans more; satellite software stores will be opened this summer.

CSA Survey: DeMoulas steals

When Boston patriots took on the British army, logic dictated they didn't have much of a chance. After all, the British had the might of a powerful empire behind them, and boasted generals expert in strategy and tactics. But logic proved wrong.

The triumph of the underdog continues today in the Boston supermarket field, according to the latest installment of the *Chain Store Age* Consumer Attitude Survey. Local multistore operator DeMoulas turned back such large and powerful forces as Jewel-owned Star, New England leader Stop & Shop and innovative Purity Supreme to win the heart of Boston shoppers.

Out of 13 consumer satisfaction categories, DeMoulas grabbed first place in 10. And if it weren't for the fact that this regional merchant doesn't carry generics, has fewer stores than its rivals and shares its turf with a low-price warehouse operator, it could have been in the running for a clean sweep.

As it is, DeMoulas ranks second only to Heartland in providing low everyday prices. More importantly, it came in fourth in the convenient location category.

Since that's something Bostonians seem to value highly—73% call it extremely or very important—DeMoulas' competition ought to be glad there aren't more of its outlets around. The chain fields only 20 stores in the Greater Boston Area, while Stop & Shop has more than twice that number and Star boasts 34. Purity Supreme conventional stores number 22, and there are nine of the firm's Heartland Food Warehouses in the area.

But DeMoulas is well-known for the high volume of the outlets it does have. Last year, estimates for the privately held firm put the per-store figure at over $15 million annually.

The survey bears out the idea of higher tabs for DeMoulas shoppers; while the average amount spent on the main shopping trip of the week was said to be $54.20, DeMoulas' customers say they spend a full $5 more. Only Heartland shoppers ring up a higher figure—$64.70.

The degree to which tiny De las has been able to carve out quality image is made even cl when shoppers are asked wh Boston stores they have eve shopped. Only 30.3% say they' gone through a DeMoulas checkout. In contrast, 79.3% have entered Star's doors, 77.7% have tarried at Stop & Shop, 57.0% trod a Purity Supreme's aisles and 54.7% investigated a Heartland.

In other words, more than two-thirds of the respondents have nev-

Boston's heart . . .

DeMoulas outscores bigger competitors

(Ranking in order of shopper satisfaction)

	DeMoulas	Star	Purity Supreme	Stop & Shop	Heartland
Fast checkout	1	2	3	5	4
Helpful workers	1	2	3	4	5
Convenient location	4	1	3	2	5
Cleanliness & store setup	1	2	3	4	5
Low everyday prices	2	5	3	4	1
Ad specials	1	3	4	2	5
Variety & quality of private label	1	2	3	4	5
Variety & quality of national brands	1	2	4	3	5
Variety & quality of generics	4	1	2	3	5
Quality meat	1	2	3	4	5
Quality produce	1	2	3	4	5
Selection of general merchandise	1	2	4	3	5
Selection of H&BA	1	2	4	3	5
Averge ranking	1	2	3	4	5

Source: Lebhar-Friedman Research

er even entered a DeMoulas store. Yet it racks up top scores.

The runner-up in shopper satisfaction is Star. Star managed to fight off the DeMoulas juggernaut to finish No. 1 in two categories: convenient location and variety and quality of generics.

It scored second in nine areas, including such key ones as quality meat, quality produce, cleanliness and store set-up. When respondents were asked about the importance of these factors, 91.7% said quality produce was extremely or very important, 88.6% said the same for meat, and 88.7% cited cleanliness as a top concern.

The one area where Star's brightness dimmed was low everyday prices, where it finished last in the field. What's more, it scored only third in ad specials, further indicating that price is perceived as a weakness at that chain. With the intensive price war now going on in the area, this could spell danger.

Purity Supreme, meanwhile, finished third in nine of the categories. It's best score was in variety and quality of generics, where it came in second; however, only 19.7% of those responding feel that is extremely or very important, and fully half consider it not at all important. It took fourth place in three areas: selection of general merchandise, selection of health and beauty aids and ad specials.

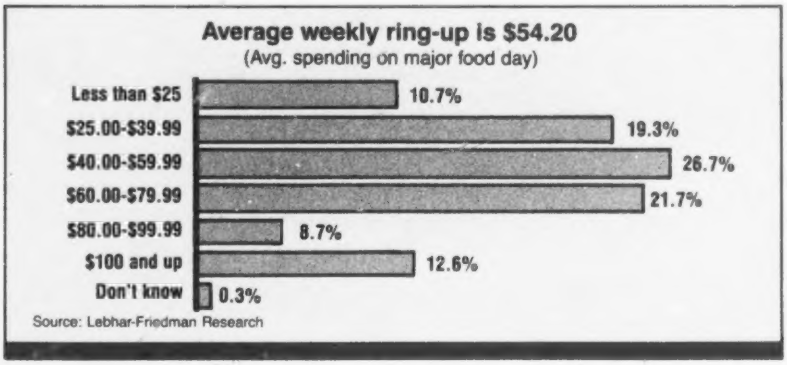
The fourth-place finish for Stop & Shop shows the chain still has a long way to go on the Greater Boston comeback trail. The area that needs the most work is at the checkout—Stop & Shop finished dead last in getting shoppers through the regis-

Behind the study

This month Chain Store Age Supermarkets *presents the fourth installment of a five-part study into consumer shopping attitudes in major metropolitan markets around the country. The final study will take the pulse of shoppers in Atlanta.*

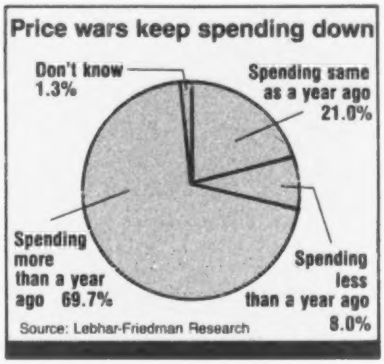
Each study is based on hundreds of interviews conducted by Lebhar-Friedman Research, with this magazine's own research arm furnishing supplementary analysis of what shoppers are thinking and feeling.

CSA Survey: Boston


Average weekly ring-up is $54.20

(Avg. spending on major food day)

Source: Lebhar-Friedman Research


Price wars keep spending down

Source: Lebhar-Friedman Research

ters quickly. It remains to be seen if the chain's intensive efforts to go all-scanning will help.

In six areas, Stop & Shop finished fourth. The most notable is variety and quality of private label, since the company prides itself on its high standards for Stop & Shop-labeled products, and has been fairly innovative. Ironically, it did better with both national brands and generics.

It also came in third in selection of GM and H&BA, though as it introduces Super Stop & Shop units, with their larger mixes of nonfoods, it may improve its image in these areas.

Heartland's No. 5 finish isn't entirely surprising, since many of the shopper preference criteria aren't really a warehouse operation's forte. It finished last in 11 areas.

The no-frills operation did manage to beat out Stop & Shop for fourth place in fast checkout. And it came in No. 1 where a warehouse store should—low everyday prices. Apparently, Boston shoppers are well aware of what they get—and give up—at Heartland. □

. . . but shoppers hitch their wagon to Star

Boston's heart may belong to DeMoulas, but it usually shops at Star Markets! The chain edged out the tough competition to be named favorite super of 21.3% of the survey respondents.

Star's victory seems based on its combination of quality and convenience. The fact that it fields nearly three dozen stores in the area compared to DeMoulas' 20 may explain why Bostonians don't always shop at the store they say is best.

But Star had better not rest on its laurels. Stop & Shop finished a close second, with 19.7% citing it as their favorite. Combine that with the fact that Bostonians switch stores without too much reluctance—17.7% say they did so within the last year—and the stage is set for a seesaw market.

Most of those who changed markets abandoned Star—26.4%. But the number who spurned Stop & Shop was also high at 22.6%. Store loyalty may be a thing of the past in Beantown.

But Star's strength lies with an attractive group: younger shoppers with a middle or high income. It edges out Stop & Shop 21.8% to 20.8% on shoppers under 35, and claims 19.8% of those between 35 and 54. Star grabs 22.9% of middle-income consumers—those making between $15,000 and $30,000 a year—and 21.1% of those who have passed the $30,000 mark.

Women tired of singles' bars might try Star's aisles—it's a favorite with singles (31.1%) and men (30.2%). Its shoppers are often well-educated, too; 24.4% who have completed college or gone even further shop at Star.

Challenger Stop & Shop does slightly better with women—18.7% to Star's 17.5%—and marrieds—18.0% to 17.5%. It also attracts more shoppers earning less than $15,000 annually—32.8%.

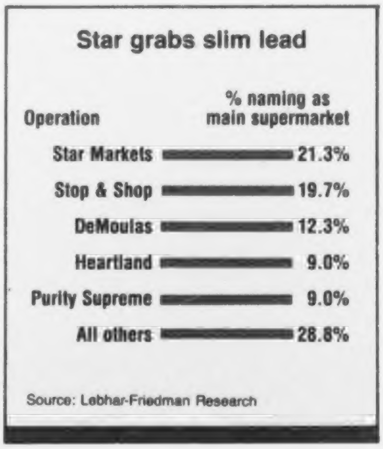
A total of 25.5% of older shoppers prefer the Quincy, Mass.-headquartered chain, while 22.6% of those with a high school degree or less shop there.

Stop & Shop's weakest draw is among shoppers between 35 and 54. Only 9.9% of those in that high-spending group prefer Stop & Shop. One way the chain might attract more of these shoppers is by emphasizing its recent price cuts, since 61.5% of those in that age group who switched stores last year say they did so because of price.

But the basic elements that keep the Boston shopper happy are quality produce, cleanliness and quality meat. Produce is a prime factor, with 91.7% calling its quality extremely or very important. Cleanliness and quality meat come next, with 88.7% and 88.5%, respectively, naming them as top priorities.

Low everyday prices are paramount to 78.0% of the respondents, and 54.3% look for a wide selection of general merchandise.

That last figure is an interesting one. Despite the relatively high tally, the fact is that Bostonians say they buy very little GM in supers on a regular basis. As a matter of fact, 75.0% say they never buy house-


Star grabs slim lead

Source: Lebhar-Friedman Research

Meat and produce powerful pull for Bostonians

	Extremely important	Very important	Somewhat important	Not too important	Not at all important
Quality produce	47.7%	44.0%	6.3%	—	1.7%
Quality meat	46.3	42.3	5.0	1.0%	0.3
Cleanliness	41.7	47.0	8.3	2.0	1.0
Low everyday prices	32.0	46.0	13.7	5.3	2.7
Convenient locations	24.7	47.3	21.0	6.3	0.3
Wide selection of general merchandise	19.0	35.3	18.3	11.7	13.3
Fast checkout	18.3	43.3	27.3	8.0	3.0
Ad specials	18.0	34.3	21.3	14.7	11.0
Variety & quality of national brands	14.3	45.7	25.3	7.7	6.3
Helpful workers	14.0	40.3	29.0	11.3	5.0
Variety & quality of private label	11.3	39.0	22.7	16.0	10.7
Variety & quality of generics	5.7	14.0	18.0	21.3	38.7
Wide selection of H&BA	2.3	6.0	12.7	26.7	50.0

Source: Lebhar-Friedman Research

Note: will not add to 100% due to no answers

wares at the super, 93.0% never purchase glassware or china, 85.0% don't toss film or photo supplies into their carts and 92.0% never pick up auto supplies while shopping for food. Small electricals fare the worst, with a whopping 95.3% of respondents saying they never buy them in a super, and not one respondent saying she always or frequently purchases them there.

Small apparel (hosiery, underwear, gloves) stems the tide—7.0% regularly pick up such items, and only 70.0% never do so. Books also do somewhat better, with 1.7% regular purchasers, and 86.0% never taking one through a checkout.

Magazines and tabloids fare best—8.0% always or frequently use a super as their source for periodicals, and a relatively small 58.0% turn up their noses at the items.

The message here may be opportunity. The figures may indicate that Boston shoppers, with their emphasis on convenience, would buy more GM if supers would just offer it.

On the other end of the scale, GM's cousin, health and beauty aids, proves to be of little interest to Bostonians. Fully half of those answering call variety and quality of H&BA not at all important. If efforts to overturn the state ruling against pharmacies in supers succeed and combos become common, perhaps opinions will change.

The other low finisher is generics. Only 19.7% say their variety and quality is a top concern. Apparently, Bostonians still prefer their beans with a national brand's label on them. ☐

Stop & Shoppers are best-organized

How Bostonians prepare for their shopping trips—whether it's preparing lists, checking newspaper ads or clipping manufacturers' coupons—depends greatly upon where they're heading.

Stop & Shop customers are the most well-prepared shoppers. A healthy 64.4% always or frequently check newspaper ads, compared to an average figure of 59%.

They also pay more attention than most to radio and TV ads. On the average, 22.3% of those queried take note of these types of advertisements, but 35.5% of Stop & Shop's customers look and listen.

Appropriately enough, since Stop & Shop was one of the prime instigators of the recent round of bonus couponing in Boston, its customers are most likely to note which stores are offering extra value on chits; a total of 37.3% of them always or frequently do so. Star shoppers come close to matching this figure at 34.4%. (The average is just 30.4%.)

Heartland habitués steal the lead from Stop & Shop regulars when it comes to list-making, but only by a hair—64.9%, compared to 64.4%.

Bostonians make lists, check ads before shopping

Activity	Always (4)	Frequently (3)	Sometimes (2)	Never (1)	Mean Avg.
Make shopping list	47.7%	12.0%	17.0%	23.3%	2.84%
Check newspaper store ads*	45.7	13.3	19.0	21.7	2.83
Clip manufacturers' coupons	42.7	16.7	21.7	19.0	2.83
Note radio & TV store ads**	12.3	10.0	26.0	51.0	1.84
Note stores offering bonus coupons***	18.7	11.7	21.7	47.0	2.02

*0.3% did not answer **0.7% did not answer ***1.0% did not answer

Source: Lebhar-Friedman Research

However, DeMoulas shoppers leave everyone else in the dust when it comes to clipping manufacturers' coupons. Although the average figure is 59.4%, a whopping 78.4% of those who call DeMoulas their favorite clip the chits. Coupon cutters are also more likely to be recent store switchers; 69.8% of those who always or frequently do so say they changed stores within the last year.

In contrast, it seems that Purity Supreme shoppers just get in the car and go. Only 55.5% of them regularly bother to make a shopping list, and just 44.4% always or frequently check out the newspaper ads. A paltry 18.5% are concerned about bonus coupons.

The only area in which Purity Supreme customers didn't bring up the rear was cutting manufacturers' coupons. Star shoppers care least about the chits—only 50.0% always or frequently bothering to clip them —while 59.2%—just below average —of Purity Supreme shoppers succumb to coupon fever. ☐

—Charlene Komar Kunkel

Chicago braces for warehouse invasion

GM distribution: What's the retailer point of view?

Supermarkets

THE … FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

September 1982

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James Wood
chairman and
president

Wood's challenge:

Make or break time for

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TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

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Chain Store Age
Supermarkets
September 1982

Many chains are turning to rack jobbers to handle GM; does their effectiveness offset the cut in margins? .... p. 39

On the Cover

A decade ago, A&P was sitting on top of the supermarket world. Today its chairman is busy piecing it back together following its near-fatal collapse. *CSA* examines the chain's past, present—and hopeful future **17**

Critical Issue

The most frequently used method of GM distribution is, far and away, the rack jobber. But the system, say retailers, is not without its drawbacks **39**

Industry News

Superstore wholesalers: Super Food Services meets the future head on **21**

With the advent of Pick 'n Save, Chicago braces for a depot store invasion **27**

New England's Adams Super Markets bucks the economic trends **30**

Warehouse stores vie for St. Louis turf **32**

Merchandising News

H&BA on display: retailers prove merchandising is still an art **47**

Pet snacks: no small treat for retailers **51**

Spotlight on perishables: working wonders with frozen foods **52**

Sunglasses in supers: more than meets the eye **59**

Departments

Viewpoint
by Larry Schaeffer 5
Express Checkout 7
Scan Analysis 10
On Management
by Fritz Biermeier 14
GM/H&BA Extra 55

SO CLEAN IT
SOAP
TIME
AIR FRESH
PEP O BISO
BUG KILLER
CAR WAX
BEST TOOTHPASTE

GM Report
by Allen "Bud" Levis 60
Focus on Equipment 62
Equipment Preview 64
What's New 65
Capital Report 68
Business News 70

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Cullum records drop in earnings

Cullum Companies, whose operations include Tom Thumb and Hinky Dinky Supermarkets, registered a 4% drop in earnings for the fiscal year ended June 26. Net income was $13 million, compared to $13.6 the year before.

The decline came on the heels of six consecutive record-breaking years. Company officials blamed the slump on the opening of nine new stores and an extensive remodeling program. This was the first year of a three-year expansion program that was projected to cost $90 million.

The sales picture for the company, noted for its combination stores, was considerably brighter. Revenues gained 9%, and the company hit the $1 billion mark.

Super Valu posts first-quarter gains

Super Valu Stores, the nation's largest wholesaler, posted a first-quarter sales gain of 8% for the period ended June 19. The company recorded $1.478 billion, compared to $1.365 billion a year ago.

Earnings also increased, although they didn't keep pace with sales. Net income hit $18.53 million, up 3% from the first quarter of fiscal '81.

Company officials pointed to a 10-day strike at their Minneapolis warehouse and the expense of opening a new Cub warehouse store division and three new Cub units as reasons for the relatively small increase.

According to Michael Wright, president and chief executive officer, each of the company's 12 divisions did well during the period. He also noted that Super Valu is expanding into a number of new markets, including Omaha, St. Louis, Chicago, Milwaukee and Madison.

Michael Wright

Star sinks slowly in the first half

Star Supermarkets, which has reached a preliminary agreement to be acquired by Peter J. Schmitt Co., continued its downward spiral in the first half of fiscal 1982.

The beleaguered chain, battered by a vicious couponing war complicated by a sagging economy in its upstate New York trading area, reported sales slipped 2.8% to $126,544,619, compared to $130,251,157 a year before.

The company lost $670,185 in the period ended June 14. In the first half of fiscal '81, net earnings were $838,991.

President and chief executive officer Theodore L. Levinson said the company was profitable during the final four weeks of the second quarter, and predicted a slow improvement in the third quarter.

Peter J. Schmitt is expected to finalize its acquisition of the Rochester-based company by the end of the year.

Big V juggernaut keeps moving along

Florida, N.Y.-based Big V Supermarkets continues to barrel along, chalking up double-digit increases in both sales and earnings.

Sales leapt an impressive 18% for the first six months of fiscal 1982. Big V registers rang up $251,977,945 in that period, which ended June 26.

Equally impressive, profits soared 25% to hit $3,121,376. The achievement is particularly outstanding considering that 1981 was a banner year for the company as well; sales were up 11.9% and profits 25.6% compared to fiscal '80.

Although no new stores were added during the second quarter, A. Richard Rosenberg, president of the ShopRite affiliate, said the 30-store chain is reviewing potential store sites. He credited "effective merchandising and offering the customer optimum value for the dollar" for the company's continuing success.

Supermarket Financial Scoreboard

Operation	Period	Date	Sales	% Inc./* dec.	Net income	% Inc./* dec.	Net-to-sales ratio
Cullum Cos.	year	6/26	$1,000,000,000	9.0	$13,000,000	(4.0)	1.30
A. J. Bayless	6 mos.	6/19	181,383,000	0.7	919,000	7.5	0.51
Big V	6 mos.	6/26	251,977,945	18.0	3,121,376	25.0	1.23
Star	6 mos.	6/19	126,544,619	(2.8)	(670,185)	—	—
Marsh	3 mos.	6/26	122,413,720	2.8	1,476,490	45.2	1.21
Super Valu	3 mos.	6/19	1,477,895,000	8.0	18,527,000	3.0	1.25

*Compared to same period a year ago

Source: *CSA Research*

Figures in parentheses denote a loss.

C5150-1 10/13/82

Which chain's on fire with Atlantans?
Carving out a "brand"-new mix in frozens

Chain Store Age
Supermarkets
THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OP
October 1982

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WASHINGTON DC 20014

SHRINK

Can retailers arrest this billion-dollar problem?

TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

Chain Store Age Supermarkets

October 1982

No room for laggards: Slow-moving frozens are getting the brush-off as departments move toward segmentation of lines .... page 38.

On the Cover

Shoplifting and employee theft are the two biggest contributors to shrink, a problem that costs the food industry over $1 billion a year. In this issue, *Chain Store Age Supermarkets* brings together a panel of loss prevention experts to share their views on how best to deal with this dilemma **27**

Consumer Study

Kroger, the nation's No. 2 chain, is No. 1 with Atlanta shoppers. Find out how it has swept these Southern consumers off their feet in this installment of the Consumer Attitude Survey **32**

1982 Nielsen Review

The annual recap of retail grocery store trends (page 43) examines in depth:

Retail grocery sales 45
Economic factors 48
New item introductions 50
Space allocations for dry groceries 52
Frozen and refrigerated foods . 59
HBA and selected cosmetics .. 62
The grocery industry . . . how much is it changing? 66

Industry News

Supermarket PAC's: million-dollar warchest for the '82 elections **24**

Merchandising News

Segmentation rules the frozen food aisle **38**

Gourmet food takes on new dimensions **81**

Spotlight on Perishables: seafood strategy strikes a balance **84**

Greeting cards give supers good reason to smile **90**

Departments

Viewpoint *by Larry Schaeffer* 13
Express Checkout 15
Scan Analysis 21
GM/H&BA Extra 87
GM Report *by Allen "Bud" Levis* 92
Equipment Focus 94
Stewart on Equipment *by Chip Stewart* 96
What's New 99
Business News 104

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SCAN ANALYSIS

Demand for dietetic foods slims

Lo-cal canned fruits crawl *through an average super at 15-20 units per week.*

As major new introductions in the no-salt canned vegetable line start to hit the market, the $64 question for retailers and manufacturers is: Can we consider the consumer demand for this line legitimate and stable, the reflection of an established new market niche? Or is the demand for this line simply a fad, trend, that will pass to leave the dust settling over our shelves?

It's too early to say if the no-salt new products are a fad or not, but there is evidence now filtering down from scanner stores that their predecessor, low-calorie and dietetic, sugarless foods, may have been a fad in certain specific categories.

Scan analysis suggests that this line, at least in some regions and in some instances, is tottering to an early grave, particularly in the Midwest.

According to a TRIM Inc.-monitored scan analysis of the dietetic line in five categories—candies/cookies/desserts, canned fruits, salad dressings, beer and frozen entrees—the behavioral demand (as opposed to lip service demand) is unfashionably low for certain types of items.

The only exceptions generating any sort of real movement in these categories are beer and frozen entrees, and this may be because the marketing message is not pegged to diet or weight control, those two dull, puritanical motivators, but instead to taste and appetite appeal.

The beer industry, which markets its light products as primarily flavorful and only incidentally weight-controlling, and the frozen food entree industry, which is shifting its marketing toward flavor over diet, are registering gains in the movement of their lo-cal, dietetic entrants.

The candy/cookie/dessert group, canned fruits and salad dressings, which stress weight modification over pleasure, are registering losses in some areas of the country, and evidence suggests that retailers, with access to scanner data, are already acting to rid themselves of many of the players in these low-volume segments.

Candy sours: The dullest category, in terms of movement, is definitely dietetic candies and desserts. The 25-50 units that move per store per week in this line seem anemic compared to the 2,300-3,000 units that move per week per store in the scan-tracked candy/dessert category as a whole.

In the West and Midwest, unit movement in this category is down 18% and 12% respectively over 1981. But even in the East, where movement is up a slim 15%, the base is so low—only 27 units per store a week—as to raise the question of whether it is worth carrying such products.

In fact, some of the stores monitored by TRIM were already starting to phase out certain selections in this line. Dietetic custard mixes, frostings, ready-to-eat puddings and some cookies were dropped completely from the 1982 scan print-outs, indicating that the chains were paring back this category, possibly in preparation for eliminating it.

More bad news: In some regions, particularly the Midwest, scan data on lo-cal dietetic salad dressings and canned fruits tell a similar story. In the Midwest, unit volume on low-calorie salad dressing is down

Appeal to slimness strongest in the East

(% change in unit movement, 1982 vs. 1981)

	Total salad dressing category	Lo-cal segment	Total canned fruits	Lo-cal segment
Midwest chain	− 8	−21	−4	−40
East Coast chain	27	38	0	45
West Coast chain	−13	0	−7	n.a.

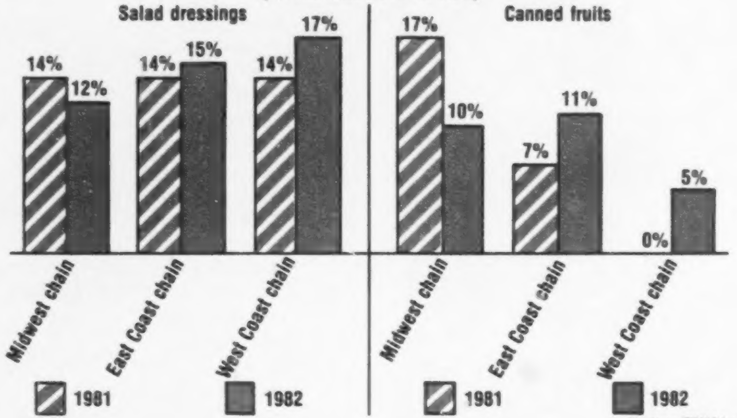
Source: TRIM Inc.

East Coast registers small gain in diet dessert movement
(Average unit movement per store per week)

	1982	1981	% change	Number of units in category
Midwest chain	51	58	−12	42
East Coast chain	27	23	15	9
West Coast chain	63	77	−18	49

Source: TRIM Inc.

Midwest cold-shoulders diet foods
(Lo-cal's share of market)



Source: TRIM Inc.

21% from last year, while canned fruit volume is down 40%.

In the West, movement on low-calorie salad dressings is flat, and movement on canned fruits is off by 7%.

Only in the East is there a positive trend, and there is evidence to suggest that this trend is primarily the result of regional preferences.

In the East, movement of low-calorie salad dressing is up 38% over 1982; movement on low-calorie canned fruits is up 45%.

All three chains are promoting the categories with the same light intensity, so there is nothing to suggest that the East Coast's superior performance is due to more aggressive merchandising.

A typical promotion, whether in the East, Midwest or West, results in a 10¢ price reduction on an 8-oz. bottle of low-calorie salad dressings or a 5¢-10¢ reduction on 16-oz. cans of low-calorie pears or peaches. Movement soars 40%-60% whenever there is an on-shelf price reduction, then returns to its normal prepromotional level.

Promos pale: It is clear that the relatively mild promotions do not win these categories many new converts. After a promotion, there is no evidence that more shoppers are buying the products than before the promotion.

There was one slight variation that might account in part for the East Coast's higher movement, at least on low-calorie salad dressings. Both East Coast and West Coast chains chose to limit their commitment to the low-calorie salad dressing line to the two dominant vendors, Kraft and Wishbone. Out of the 16 and 15 items carried by these two chains respectively in 1982, only one in each chain came from a third vendor. In contrast, the Midwest chain divided its 17 sku's among six vendors, with Kraft and Wishbone supplying only 10 of the items stocked.

There is also evidence that price turns product in this category above anything else. In the Midwest, a private label canned fruit priced 10¢-20¢ less than its brand name competition moves out at the rate of 40 units of canned peaches per store a week, compared to 12 units for the higher-priced brand peaches. The private label pears moved out at the rate of 20 units per store a week, compared to eight for the brand name pears.

Of course, when the movement in a category is as low as this, many retailers do not want to be in private label, and the East Coast, even though movement is increasing, the retailer in TRIM's scan analysis was phasing out his private label line.

It seems logical that the costs of production can not be offset by the movement of 20 units of lo-cal peaches or 15 units of lo-cal pears, especially at everyday retails only 4¢-10¢ less than the nationally branded products.

Talk is cheap: There are several assumptions that can be made about the relatively unsuccessful growth of low-calorie products in the candy/dessert, canned fruit and salad dressing categories. The first is the obvious one that consumers may say they want sugar-free or low-calorie products but shy away from backing up their talk with actual pruchases. The other is that these segments may not be large enough to support further subsegmentation. In other words, it may be possible to take as large a volume category as beer and subsegment into light-beer drinkers vs. regular beer drinkers, but it may not be possible to take a category as relatively limited as canned fruits and segment it into light vs. regular canned fruit buyers.

In the high-volume beer category, in fact, the light segment is both strong and growing. Light beers captured a 19% share of both dollar and unit movement in 1981 and jumped to a 25% share in 1982, TRIM's Midwest scan data indicates.

Frozen entrees saw a similar spurt when Stouffer's rolled out its cleverly marketed Lean Cuisine line of lo-cal entrees and dinners.

From January, when Stouffer's first introduced Lean Cuisine to TRIM's Midwest chain's shoppers, to May, Lean Cuisine's share of unit sales per every 1,000 shoppers increased 66%, up from a 16.3 purchase incidence in January (when the product was introduced) to 27.1 in May.

Food chain funds

The supermarket industry has already raised well over $500,000 to support Congressional candidates in next month's elections, and total food chain contributions to the '82 House and Senate races could top the $1 million mark.

An exclusive *Chain Store Age* survey of supermarket campaign fund-raising efforts since the 1980 Reagan landslide found that a dozen industry Political Action Committees (PAC's) had already channeled more than $300,000 in contributions to Federal candidates by mid-July, the Government's most recent PAC reporting deadline.

Even if these food chain and trade association fund-raising committees fail to raise another cent over the next month, supermarket industry PAC's will still have another $475,886 to pump into the campaigns of selected candidates during the home stretch of the '82 campaign.

Biggest by far: Overall, the nation's food chains are likely to raise a total campaign war chest twice the size of the one amassed by supermarketing for the 1980 elections—and more than the total collected by all drug store, general merchandise and discount chain industry PAC's combined.

Industry leaders credit the upsurge in supermarket PAC contributions to a growing recognition by food chain execs of the pocketbook impact that Federal regulation and legislation can have on their operations.

"People in our industry are beginning to realize that Uncle Sam is calling the shots in our stores, and warehouses and corporate offices," says A&P vice president Robert Bradford. "PAC contributions can't buy votes, but they can help make sure that our industry's voice is heard in Washington."

Industry PAC contributions could top $1 million mark for '82 election drives

In his previous position as government relations vice president at the Food Marketing Institute, Bradford helped to build FMI's PAC from $9,000 in 1976 to more than $150,000 for the last Congressional elections. He is angling to do the same now at A&P, where political fund-raising efforts have received low priority in recent years.

In contrast, Congressional campaign fund-raising is already a high priority at Winn-Dixie, which boasts the most successful PAC of any retail chain in the nation.

In addition to a quarter of a million dollar campaign war chest left over from the 1980 elections, Winn-Dixie raised another $288,000 during the past two years to give the chain more potential campaign clout than most industries enjoy.

By the July 15 Federal Election Commission quarterly filing deadline, Winn-Dixie's PAC had already made 169 campaign contributions to scores of congressmen on both sides of the aisle totaling more than $200,000.

On the other end of the spectrum, half a dozen supermarket industry PAC's (including A&P, Jewel, Piggly-Wiggly, Southland, Jitney-Jungle and Delchamps) had each kicked in less than $5,000 to Federal candidates by midsummer, although several had sizable reserves on hand for eleventh-hour contributions to this year's campaign.

In between these extremes, the Food Marketing Institute's political action committee (the largest fund-raising group of any retail industry trade association) had contributed more than $88,000 to Federal candidates by midsummer and still had a political war chest exceeding $60,000 for the '82 campaign home stretch.

Although the supermarket industry's average contribution to Congressional candidates weighed in just short of $800—and a few token donations of $50 to $100 were made—a number of candidates received four-figure contributions from several food chain PAC's since the last election.

pack political clout

Indiana Republican Richard Lugar of the Senate Agriculture Committee attracted the most support from supermarket industry PAC's ($7,100), while Senate Majority Leader Robert Byrd (D-W.Va.) collected a total of $5,000 from several food chain fund-raising groups.

In House races, industry PAC's contributed $3,300 to re-elect Ways and Means Committee member Kenneth Holland (D-S.C.), and $4,000 to Republican Congressmen David Emery of Maine.

Democratic decision: Despite broad supermarket industry support for President Reagan's brand of pro-free enterprise Republicanism, food chain PAC's are not channeling heavy financial support to G.O.P. candidates.

Since the last elections, in fact, over 55% of the industry's total dollar contributions have been earmarked for Democrats.

Averages can be misleading, however, and a number of the supermarket industry's smaller PAC's (Delchamps, Jewel, Hy-Vee, Southland and Kroger) funneled most, if not all of their campaign donations to Republicans.

But the industry's two most active political fund-raising organizations, PAC's operated by Winn-Dixie and FMI, each allocated between 55% and 60% of their contributions to the Democratic side.

The clearest trend to emerge from *CSA*'s analysis of food chain political fund-raising activity is the tendency among supermarket PAC administrators to steer clear of political dark horses.

Although industry campaign fund raisers pay lip service to the importance of bringing fresh, pro-free enterprise faces to Congress, well over 90% of the money pumped into the '82 campaigns have gone to incumbent congressmen and senators. □

Where the supermarket campaign money is going

PAC sponsor	$ contributions to:*		No. of contributions to:	
	Democrats	Republicans	Democrats	Republicans
Delchamps	$ 600	$ 3,550	3	12
A&P	250	500	1	2
Hy-Vee	0	3,250	0	3
Jewel	0	2,675	0	1
Jitney-Jungle	1,500	1,000	2	2
Kroger	4,700	6,900	14	21
Piggly Wiggly	2,900	2,000	8	3
Southland	1,000	2,150	1	11
Winn-Dixie	119,600	80,675	98	71
Food Marketing Institute	49,015	39,000	54	101
Nat'l Assn. of Convenience Stores	0	0	0	0
Nat'l Assn. of Retail Grocers of U.S.	1,850	2,250	10	13
Total:	$181,415	$143,950	191	218

*U.S. Congressional candidates only

Source: *Chain Store Age* analysis of Federal Election Commission records

Who's who in supermarket political fund-raising

Sponsor	PAC Collections for '82 campaign*	$ on hand from '80 elections	PAC contributions to: Federal candidates	State candidates	Other industry PAC's	Admin. costs	$ available for '82 campaign stretch
Delchamps	$ 13,316	$ 2,690	$ 4,150	$ 0	$2,000	$ 0	$ 9,856
A&P	0	1,550	750	0	0	250	550
Hy-Vee	20,256	10,519	3,250	1,000	0	100	26,425
Jewel	10,275	0	2,675	300	0	0	7,300
Jitney-Jungle	8,061	3,170	2,500	0	0	2,250	6,481
Kroger	20,544	909	11,600	0	0	300	9,553
Piggly Wiggly	9,246	2,806	4,900	0	0	2,450	4,696
Southland	14,431	2,474	3,150	0	0	775	12,980
Food Marketing Institute	131,562	26,175	88,015	0	0	9,312	60,410
National Association of Convenience Stores	28,380	0	0	0	0	24	28,356
National Association of Retail Grocers of U.S.	4,670	890	4,100	0	0	347	1,113
Total:	$549,867	$305,230	$325,365	$1,300	$3,000	$49,346	$475,886

*As of 7/15/82

Source: *Chain Store Age* analysis of Federal Election Commission records

Kroger marches

If Scarlett O'Hara and Rhett Butler set up housekeeping in Atlanta today, chances are they'd shop at a Kroger.

In this latest *Chain Store Age Supermarkets* Consumer Attitude Survey, the nation's No. 2 chain is the No. 1 choice among well-to-do young marrieds of Atlanta.

Overall, a healthy 25.7% of all those surveyed call Kroger their favorite supermarket, but just a hairsbreadth behind the northern invader is home-grown (though foreign-owned) Food Giant, most popular with 24% of the respondents. Winn-Dixie edged out Big Star, the Grand Union affiliate, 14% to 12.7%, for the No. 3 spot, while A&P brought up the rear, scoring 6.3%.

Each of the major market powers seems to attract its own distinct audience. Kroger is strongest with the young (35.7%), the high earners (38.3%) and those living in wedded bliss (28.6%).

Its only weak link appears to be among older shoppers; only 15.4% of them are regular patrons.

Food Giant seems to draw single shoppers, the middle-aged and those earning a comparatively low income. Of consumers who bring in less than $15,000 a year, 29.1% favor the Delhaize-owned chain. So do 28% of the unmarried and 28.4% of those between 35 and 54.

A fifth of the respondents making between $15,000 and $30,000 prefer Winn-Dixie. Big Star abounds with single men—a whopping 19.6% of males call it No. 1, along with 15% of singles. Shoppers who have passed their 55th birthday are likely to head for their local A&P, with 9.9% saying they like the Tea Company best.

Kroger, one of the two American-owned market leaders (Winn-Dixie is the other), has more than an enviable shopper base to its credit. It also does well with keeping its customers and excels at carving out a positive image.

And while it's common for area favorites to also lose many customers, that's not so in Kroger's case; a mere 4% of answering Atlantans say they've switched from that chain. Only Winn-Dixie did better in this area, with an amazing zero. Food Giant and A&P tied with 12% each. The chain that had better watch its back is Big Star. Usually considered the market share leader by a hair, the Colonial-owned stores racked up a 26% score.

As for Kroger's well-burnished image, one need only look at the shopper satisfaction results. The

Kroger sweeps Atlantans off their feet

Ranking in order of shopper satisfaction

	Kroger	Winn-Dixie	Food Giant	Big Star	A&P
Fast checkout	1	2	4	5	3
Helpful workers	1	2	3	4	5
Convenient location	1	3	2	4	5
Cleanliness & store set-up	1	3	2	4	5
Low everyday prices	1	3	2	4	5
Ad specials	1	2	3	4	5
Variety & quality of private label	1	2	3	4	5
Variety & quality of national brands	1	2*	2*	5	4
Variety & quality of generics	1	5	3	2	4
Quality meat	1	2	3	5	4
Quality produce	1	3	2	4	5
Selection of general merchandise	1	2	3	4	5
Selection of H&BA	1	2	3	4	5
Average ranking	1	2	3	4	5

*Tie

Source: Lebhar-Friedman Research

through Atlanta

Kroger
Kroger
Kroger

chain came in first in every category. Only in one—convenient location—did a rival (Food Giant) give it a run for its money.

Interestingly, Kroger has about 20 fewer stores than Food Giant, which, together with Big Star, has the most stores in the area. But location and customer perception may be playing a larger role than actual number of sites.

Perception is a key word here. For instance, only 33% of those queried say they've been inside a Kroger—yet the chain outdistanced all rivals for shopper satisfaction. Most Atlantans say they've tried an A&P (56%) and a Big Star (50.3%). Winn-Dixie has welcomed 49%, and 36.7% have checked out at a Food Giant.

Winn-Dixie and Food Giant were in a tight race for the No. 2 spot in shopper satisfaction. Winn-Dixie squeaked by finishing second in eight areas and tying for that position in one.

Food Giant managed to grab the runner-up spot in four categories and tied for a fifth. Its poorest showing was in getting the shopper out of the store—it came in fourth for fast checkout.

That was even more of a problem for Big Star—the overall No. 4 finisher limped home last in that category, as it did in variety and quality of national brands.

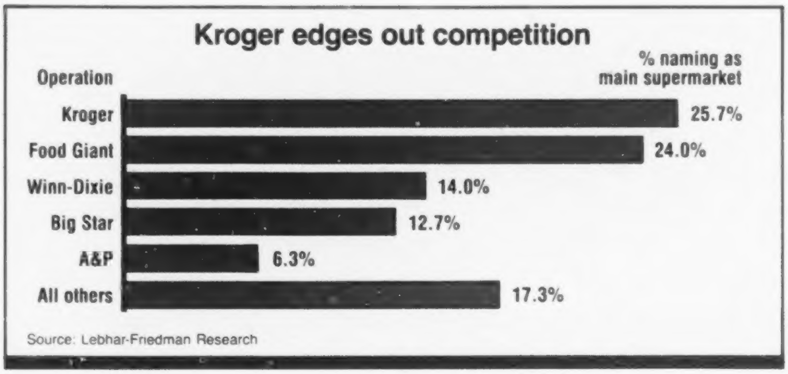
Most seriously, it brought up the

Behind the study

This month Chain Store Age Supermarkets *presents the final installment of this year's five-part study of consumer shopping attitudes in major metropolitan markets around the country. Due to tremendous reader response,* CSA *will continue the series next year, beginning with an analysis of the Philadelphia market.*

Each study is based on hundreds of telephone interviews conducted by Lebhar-Friedman Research, with this magazine's own research arm furnishing supplementary analysis of how shoppers feel.

CSA Survey: Atlanta



Source: Lebhar-Friedman Research

rear in quality meat, a dimension Atlantans consider extremely important. However, all was not dim for Big Star; it took second place for variety and quality of generics.

A&P finished last, but the chain, which chairman James Wood says has big plans for the Georgia capital, did somewhat better in a few areas. It squeezed past Food Giant and Big Star to finish third in fast checkout, and took the fourth spot for quality meat and for variety and quality of national brands and generics. ☐

Top-drawer perishables are top draws

If you want to keep an Atlanta supermarket shopper happy, make sure your perishables are top-notch.

That's what Atlantans told *CSA Supermarkets* when asked what's most important to them in a supermarket. Quality meat and quality produce are vital criteria of nearly all residents in this capital city.

Quality meat was cited as extremely important by 62.0%; that's one of the highest figures ever tallied in this series of consumer studies.

Add in those who call it very important, and the figure soars to an unparalleled 93.0%.

Produce scored nearly as well. Three out of five Atlantans—60.0%—say quality produce is extremely important, and 92.3% place it in either the extremely or very important category.

Cleanliness is also a top concern, being cited as critical by nearly nine out of 10 respondents.

But Atlantans don't ignore price. They clearly prefer an everyday low price structure (85.3%) to ad specials (66.0%). That may be one key to Kroger's success, since the chain takes just that kind of everyday low price approach.

Getting to the supermarket with ease and getting out of it quickly are other attractions. Fast checkouts are of prime importance to 77.7%, and convenient locations to 80.7%. Despite the cliché of a leisurely pace in the South, time is obviously as precious there as in other parts of the nation.

But old-fashioned southern courtesy has not been overlooked. Helpful workers are extremely important to 31.3%, a high tally compared to other cities. Add in "very important" answers, and the number jumps to 67.3%.

Nearly two-thirds of Atlantans say they look for national brands in their supers, but private label does nearly as well with 58.0% saying they're store brand-oriented.

Generics, interestingly, attract one out of five Atlantans as the top draw.

Some of these findings may serve as a warning signal for Big Star, which finished last in terms of shopper satisfaction for quality meat, fast checkout and variety and quality of national brands, all considered important by most residents. It scored best in only one area: quality and variety of generics.

General merchandise attracts a hefty 59.4% of Atlanta shoppers. The level of importance they put on GM, though, isn't as yet matched by their buying habits. When asked which specific GM categories they buy regularly in supers, the tallies were not that impressive.

Magazines and books did best, with 9.4% saying they regularly purchase the publications at a super, and only 50.0% saying they never do so. But a paltry 0.7% regularly buy small appliances where they do their food shopping, 1.3% pick up glassware or china, 1.6%

Meat, produce, prices count the most

	Extremely important	Very important	Somewhat important	Not too important	Not at all important
Quality meat	62.0%	31.0%	3.7%	1.3%	2.0%
Quality produce	60.0	32.3	4.3	0.7	2.3
Low everyday prices	46.0	39.3	12.3	1.7	0.3
Cleanliness	45.7	45.3	7.0	1.3	0.3
Fast checkout	39.0	38.7	14.0	7.3	1.0
Convenient locations	37.0	43.7	15.7	2.3	1.3
Helpful workers	31.3	36.0	22.0	8.3	2.3
Ad specials	30.0	36.0	21.7	9.3	2.7
Variety & quality of national brands	29.3	37.0	23.0	8.7	2.0
Wide selection of general merchandise	25.7	33.7	19.0	9.3	12.3
Variety & quality of private label	26.7	31.3	25.0	13.0	4.0
Wide selection of H&BA	7.7	18.0	27.7	17.0	29.7
Variety & quality of generics	7.3	13.3	19.7	19.3	28.3

Source: Lebhar-Friedman Research

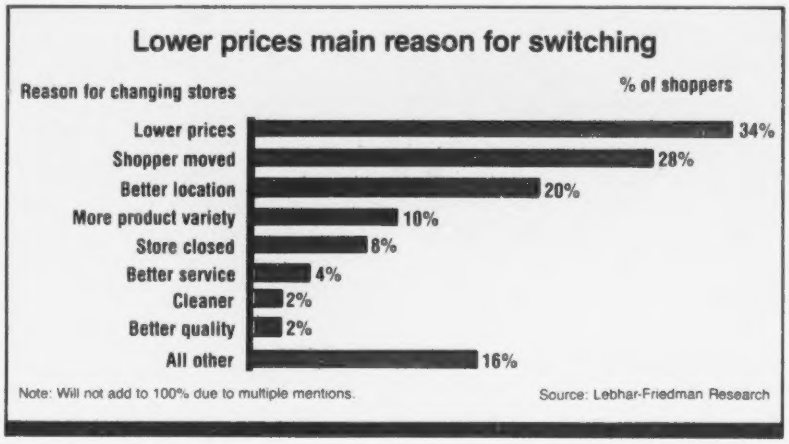
Note: will not add to 100% due to no answers film or photo supplies and 2.3% auto care items.

The willingness to purchase GM in supers seems to be there; the question is whether Atlanta supers are supplying the selection and prices shoppers want.

A wide selection of health and beauty aids is deemed important by only 26.7%. That agrees almost exactly with the number of Atlantans who say they buy such items at the super regularly (27.0%).

Over-the-counter medications are commonly bought by 19.0% of respondents. Cosmetics don't do quite as well, with only 6.7% saying they look for those needs. ☐

Lower prices main reason for switching



Note: Will not add to 100% due to multiple mentions.

Source: Lebhar-Friedman Research

Atlantans favor lists, newspaper ads

Most shoppers write it down

Activity	Always (4)	Frequently (3)	Sometimes (2)	Never (1)	Mean avg.
Make shopping list	43.7%	14.3%	19.0%	23.0%	2.79%
Check newspaper store ads*	39.3	15.3	25.7	19.3	2.75
Clip manufacturers' coupons	31.3	15.0	30.3	23.3	2.54
Note radio & TV store ads	16.3	10.7	35.3	37.7	2.06
Note stores offering bonus coupons**	11.7	9.3	27.7	50.7	1.82

*0.3% did not answer

**0.7% did not answer

Source: Lebhar-Friedman Research

Atlantans not only know what they want, they make sure they know what their supermarkets are offering before they do their food shopping.

Comprising a shopping list is the most popular pastime, with 58.0% of those responding saying they usually jot down their needs. Winn-Dixie patrons are the most devoted list-makers, with a decisive 76.1% of those who favor that chain making preshopping lists. Those on the upper end of the scale in both income and education also favor a list; 67.9% earning $30,000 or more annually and 68.5% of the college-educated prepare in that manner.

Nearly as popular as list making is checking the newspaper ads. This method captures the attention of 54.6% of Atlantans, and is a particular favorite of those who regularly shop two or more stores. A hefty 62.3% of these store-jumpers consult newspaper ads.

While that in itself is not very surprising, what is unusual is a relatively lower interest on the part of better-educated consumers. Only 54.5% of them peruse the newsprint.

Winn-Dixie seems to be getting the most for its money with newspaper ads, since a whopping 61.9% of its shoppers say they consult them regularly. But Big Star and Food Giant are doing almost as well, with 60.5% and 59.7% of their customers, respectively, checking out the ads.

It's Big Star shoppers who are most fond of coupons, with 52.6% of the chain's regular patrons clipping the manufacturers' chits, compared to an average of 46.3%. Those over 55, the college-educated and shoppers who usually visit two or more stores also report a higher-than-usual level of usage.

Strangely, the better-educated are significantly less interested in bonus couponing. Only 18.9% of them say they watch for multiple redemption offers, while the average figure is 21.0%. And a paltry 11.0% of high earners—bringing in $30,000 or more a year—note bonus chits.

By contrast, 27.3% of those earning under $15,000 a year watch for them, along with 24.2% of older shoppers and 26.4% of multiple-store customers.

The highest figure, once again, belongs to Winn-Dixie loyalists, who are certainly the best-prepared.

These figures may change as the year goes on, since a double-couponing war has broken out in the city in the past few months. As the summer drew to a close, Winn-Dixie was keeping out of the competition already involving A&P (the instigator), Food Giant and Big Star. The chain is, however, offering double stamps as an incentive.

Winn-Dixie fans also are more inclined to keep tabs on radio and TV ads, with 35.7% following them regularly. Also on the high side of average are those making ends meet on less than $15,000 a year (36.4%), shoppers over 55 (35.2%) and regular shoppers of more than one store (32.7%).

In each category, the shoppers who do the least preplanning are those who head for an A&P. Only 36.9% of this chain's regular shoppers make a list, 21.1% check the newspaper ads, 21.1% clip coupons, 10.5% look for multiple couponing and 15.8% listen for radio or TV advertising.

—Charlene Komar Kunkel

Segmentation rules

Slow-moving frozens are getting the ax *to increase space for fast turners.*

While frozen foods have long been a mainstay of supermarkets, currently contributing nearly $13 billion in sales and accounting for just under $4 billion in gross profits, recent developments are forcing retailers to alter traditional merchandising strategies.

For starters, energy and capitalizations costs have retailers balking at department enlargement. Rather than add space, many are eying their equipment and product mix more warily. Glass door cases, with their flexible shelving design and energy conservation features, seem to be favored right now. Further, retailers are packing shelves more tightly with fast turners and are showing less patience with laggards.

To appease shoppers who may be loyal to axed brands, many supermarketers maintain special order lists. With some large chains, this list can grow to nearly a quarter the size of their authorized products list—an indication of how many products are booted out as the space squeeze heightens.

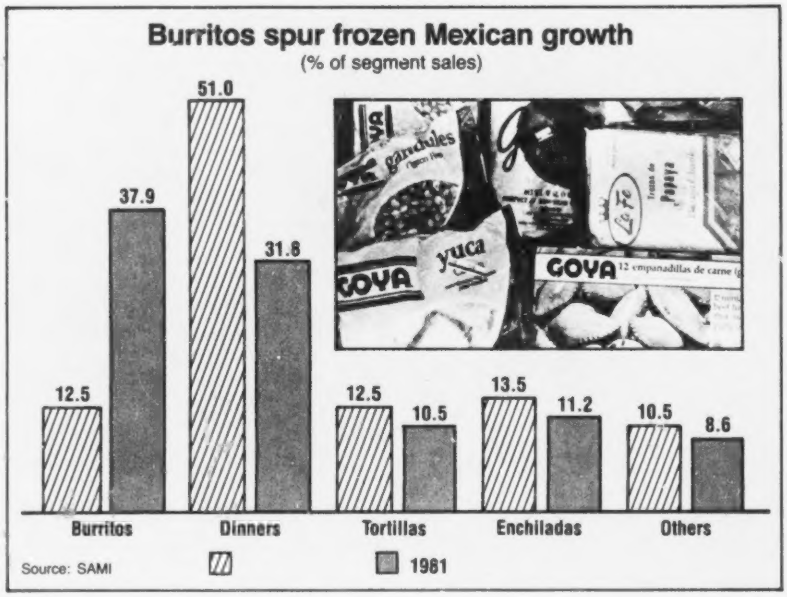
The hectic pace of product introductions is also grabbing for buyers' attention these days. Trade sources estimate that 1,200 new items a year—over 20 a week—vie for retail acceptance. But buyers are playing it cool, sticking to their major criteria for taking on new lines: quality and manufacturer support.

To assure quality, products must stand muster in retailer taste tests. "Regardless of the brand, every item gets tested," says a buyer for a major chain. "Retailers can't risk shoppers trying marginal items and believing all frozens are similar," echoes a supplier.

In addition, retailers are not likely to stock brands having too little promotional support from their suppliers. "What are you going to do to move your product out? That's what operators want to know of packers today," says Dan Lynch, senior vice president-frozens at Ferolie Brokerage.

The sluggish economy is turning retailers into tougher taskmasters, and with scanning at hand providing movement data, direct product

frozen food aisle



Burritos spur frozen Mexican growth

(% of segment sales)

Source: SAMI

performance has moved into the frozen spotlight. Says a trade insider, "It used to be that suppliers would say, 'We sell it to you, you sell it to them.' Now packers, retailers and equipment makers are equal partners in making frozen food departments work. There's little left of retailers blindly accepting what suppliers tell them."

So where's the department heading? Increasingly, toward a segmentation of lines, say observers. "Middle-priced items are hurting," says Lynch, "because frozen food buyers are selecting high-quality brand names along with generics and private label."

This two-pronged approach appeals to price-conscious consumers as well as to those easily tantalized by new products and new tastes, regardless of the price. It's these shoppers who are helping to generate impressive sales gains in diet entrees, ethnic dishes and several other frozen food segments.

Diet entrees: Paced by Stouffer's Lean Cuisine line introduced late last year, low-calorie dishes now account for roughly one-third of supers' $1 billion annual frozen entree sales (except for fried chicken and patty dishes). Rapid acceptance of the 10-flavor line, with four more now in test markets, earned the brand a national rollout this spring.

To counter the successful debut, Weight Watchers reformulated its 26-package line and claims it hasn't been hurt by the new kid on the block. Retailers agree. "Weight Watchers sales doubled since I placed the two brands together," says one buyer.

The two brands, which account for virtually all diet entree sales, are attracting new users and expanding the segment. Stemming primarily from the late '81 surge, last year's diet sales rose 10%. Margins are a substantial 30% on these lines, and invoice-off allowances generally run 7%-10%.

Why the rapid surge? Timing, quality and convenience, say trade officials who see retailers geometrically expanding the segment's shelf space.

Frozen meats and poultry: Because labor costs override energy concerns, retailers may be priced into a heavier emphasis on frozen meats and poultry before long. Since frozens simply need a price tag to be sale-ready, more operators may see them as an alternative to using costly meatcutters to service fresh meat counters. In St. Louis, for example, warehouse stores carry no fresh meat; lower-paid retail clerks handle frozen displays as large as 80 ft.

For now, however, major frozen meat suppliers contend they're not competing against fresh meats. Their main appeal, they say, are small portion sizes and convenience. Apparently, that's enough to sway shoppers. In '81, frozen meat sales jumped 202% to $825 million, or 6.5% of department sales; frozen poultry winged in at $1.71 billion, or 13.6% of department volume, up 96.8%.

While upscale stores like Grand Union display exotic cuts of pheasant, quail and squab in frozen cases opposite service meat counters, everyday cuts remain the norm. Turkeys rule the roost with roughly half the segment's sales; lamb, liver, chicken, pork and beef make up the rest, say trade experts.

Low-calorie entrees, ethnic dishes, meat and poultry are the new stars

Despite the rapid growth, suppliers also see lost opportunity. "Segment performance always tails off when placed in the hands of the meat manager. Stores do better when frozen food personnel handle the case," say brokers and packers.

Ethnic foods: Olé and away pretty much typifies ethnic action of late. Blazing new markets outside the West and Southwest, pace-setting Mexican foods galloped to new highs on the strength of burritos sales. Burritos now make up 38%—or three times its '77 share—of the Mexican segment, which trade sources tally at $183 million in '81. Frozen Mexican food sales are up 21% annually since '77 on 12% yearly unit growth. Dinners now comprise just under one-third of the segment's sales, down from 51% in '77; enchiladas, tortillas and other dishes split the rest about evenly.

Mexican foods sport no national brand, though the field is replete with local and regional labels. Trade experts note the leaders' shares are Del Monte's Patio, 16.2%; El Charrito, 12.2%, and Van de Kamp, 9.6%.

Why such rapid growth? There's

Segmentation rules frozen foods

a number of reasons. Mexican restaurants are educating palates across the land, along with increased advertising, low cost per package, good taste and nutrition. What's even brighter, says a Del Monte spokesman, is that children consume about half the burritos, locking in a strong future for the product. Also, he says, traditionally weak markets for these products, such as New York, are hiking their frozen Mexican consumption four times faster than some of the better developed markets.

Aside from mainstay pizza, Italian frozens show 10% unit growth and 27% dollar growth through the first half of '82. Partly because they've transcended the ethnic line to become an "American" food, Italian dishes should continue to perform strongly.

Chinese food sales, however, remain plagued by relatively weak marketing efforts, say various trade sources. □

At Publix, frozens are a branded strategy

22 P 22
FROZEN JUICES
FROZEN V
FROZEN DESSERTS
FROZEN DIN
ERTS

***Maximum product facings** and signage on glass-door cases help Publix spur impulse sales.*

The aggressiveness of Publix's frozen food operations may be sending chills up the spines of competitors, but it's clearly warming the chain's bottom line.

Garnering 29% gross margins on an estimated $104.8 million volume in its 170-store Lakeland-Jacksonville division, the department is netting roughly $11.53 million annually. That's about 8% of the division's profits on slightly over 6% of sales, generated in 8% of selling space.

How does Publix pull this off? By exercising tight controls over buying, pricing, merchandising and labor, and by using energy-saving door cases almost exclusively.

"We buy 95% of our frozen food from brokers," says Monte Thornton, the division's frozen foods director, a 31-year veteran with the chain. "They do the leg work and let us concentrate on operations. The mix of available products changes so fast that we gladly use brokers to help us stay on top of it."

This strong fix on market dynamics, with a touch of flexibility to meet local preferences, helps Thornton rack up such impressive numbers. Although all stores carry Publix's 760 authorized frozen food items and follow the same planogram, store and market managers have some latitude in allocating space; they can eliminate slow movers on their own and increase space a row or two on strong-selling items.

But that's the extent of their liberty. All buying, pricing and advertising is done centrally. This policy places Publix as a name brand frozen food merchant carrying no generics, only a handful of private label items and one controlled label, Stokely's Pictsweet vegetables. Apparently, Publix shoppers expect quality brands and are willing to pay for them. "But we're still competitively priced overall," says Thornton.

To prove that point, Thornton notes price cuts on a dozen frozen food items advertised each week—10 grocery and two seafood—so shoppers can plan breakfast, lunch or dinner meals with the promoted products alone. All are discounted from 6¢ to $1, often reflecting promotional allowance savings.

In addition, the chain runs 10 to 12 full-page ads a year in major dailies, each featuring 25 to 30 reduced price items. Most are theme ads, which Thornton says consistently boost sales 20%. "It's extra business that doesn't rob sales from the future because shoppers don't know in advance what we'll promote," he adds. Further, the ads make shoppers aware of all the chain's frozen food categories.

Housed in 30-in. wide Hill glass door cases, frozens generally comprise the last two aisles between produce and bakery. The chain's 36,000-sq.-ft. prototypes use an average 62 doors, but as Publix units enlarge to 38,000 sq. ft., the department should gain proportionately over time. "We can never have enough space for frozens," says Thornton.

That statement becomes even clearer as he reels off a list of his fastest turners—Stouffer's Lean Cuisine, Armour Dinner Classics, Lender's Bagels, Pepperidge Farm Deli's and VIP Vegetables. "They're quality lines answering social needs," says Thornton. He adds that microwavable items—particularly Pillsbury's popcorn—are also selling briskly.

To make room for these superstars, mediocre-selling products have to be cut, which isn't easy because shoppers are already buying them. Publix's solution: Keep a special-order list, now up to 180 items the chain won't stock but certain shoppers want.

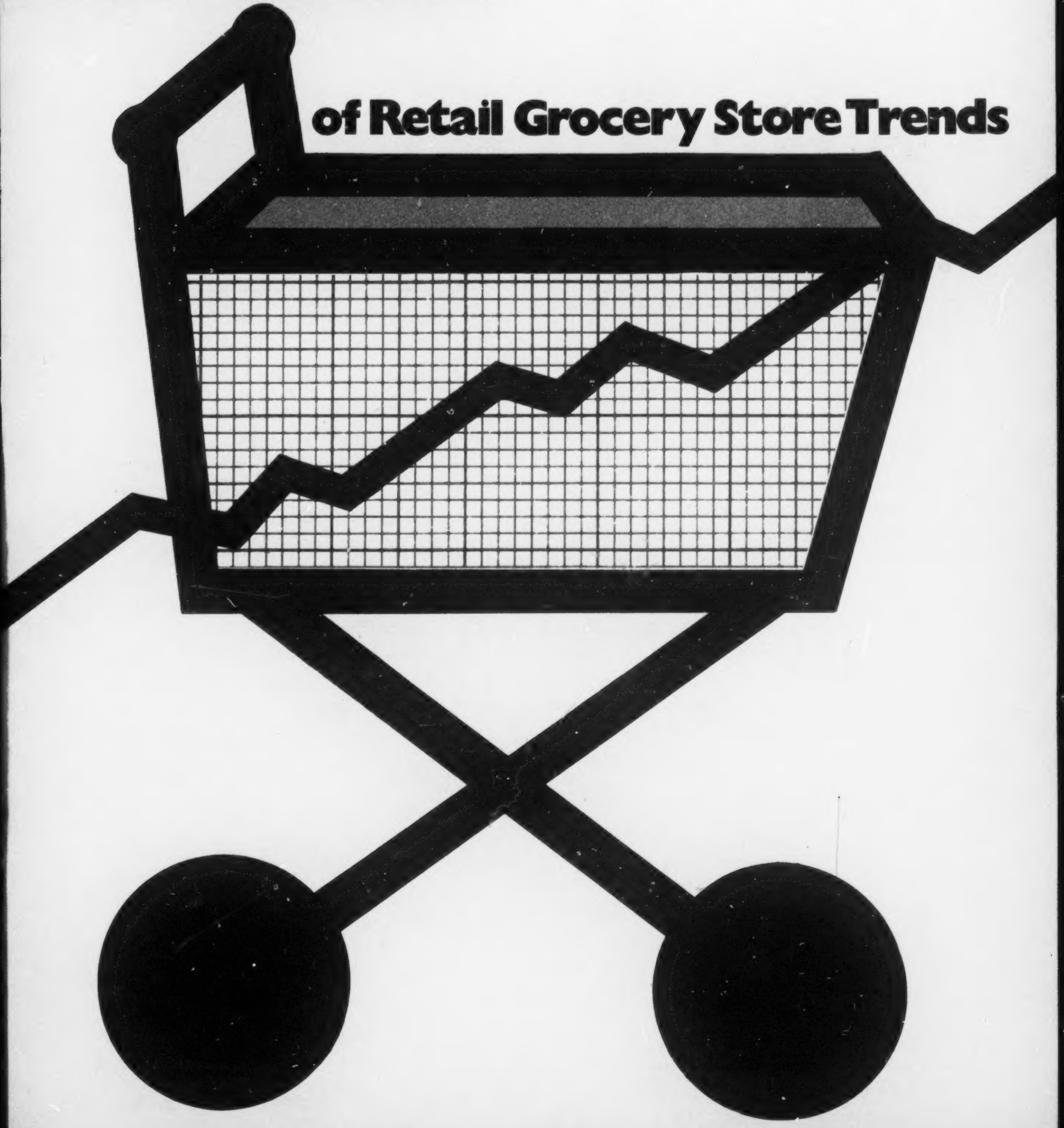
When the chain takes on a new product, which happens only after extensive taste-testing, each store gets charted at least one case. Brokers help store clerks work the new items into displays; the newcomers generally get three months to prove their worth or be cut.

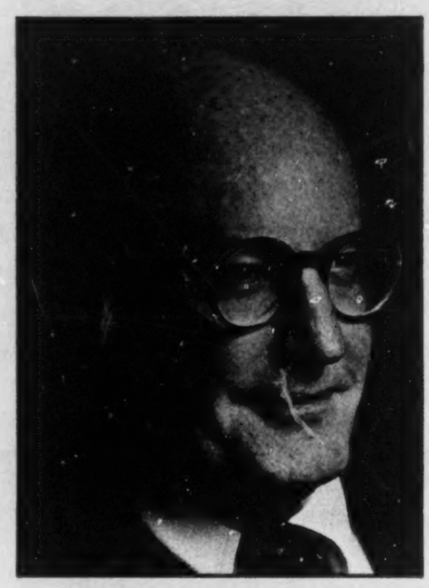
Frozens are displayed by brand rather than category. Thornton explains why: "Customers find items easier; Publix can affix in-store signage on doors more easily; clerks can stock the sections easier, leading to greater productivity."

Although most items are price-marked, frozens are not. "We let shoppers rely on door and shelf prices and, of course, scanning—which tells us a lot of what we need to know about direct product profitability," says Thornton. □

1982 NIELSEN REVIEW

of Retail Grocery Store Trends





To our friends in the retail grocery business:

We are using this publication once again as an additional means of saying "thanks" to the retail grocery organizations from whom we are receiving cooperation in so many different ways.

The 1982 issue provides a review of current retail grocery trends, some economic trends that have a direct impact on your industry and a summary of new product introductions into grocery outlets. We have also included chapters on space allocations for dry groceries, frozen and refrigerated foods and health and beauty aids.

The feature chapter in this issue is a reprint of D. L. Ritter's recent address to the G.M.A. West Coast Marketing Seminar entitled "The Grocery Industry . . . How Much Is It Changing?"

We hope our readers will find the Review both interesting and informative.

Sincerely,

A. C. Nielsen Jr.

A. C. Nielsen Jr.
Chairman of the Board
A. C. Nielsen Company

TABLE OF CONTENTS

1. Retail Grocery Sales
2. Economic Factors
3. New Item Introductions
4. Space Allocations For Dry Groceries
5. Frozen and Refrigerated Foods
6. Health and Beauty Aids and Selected Cosmetics
7. The Grocery Industry . . . How Much Is It Changing?

chapter 1

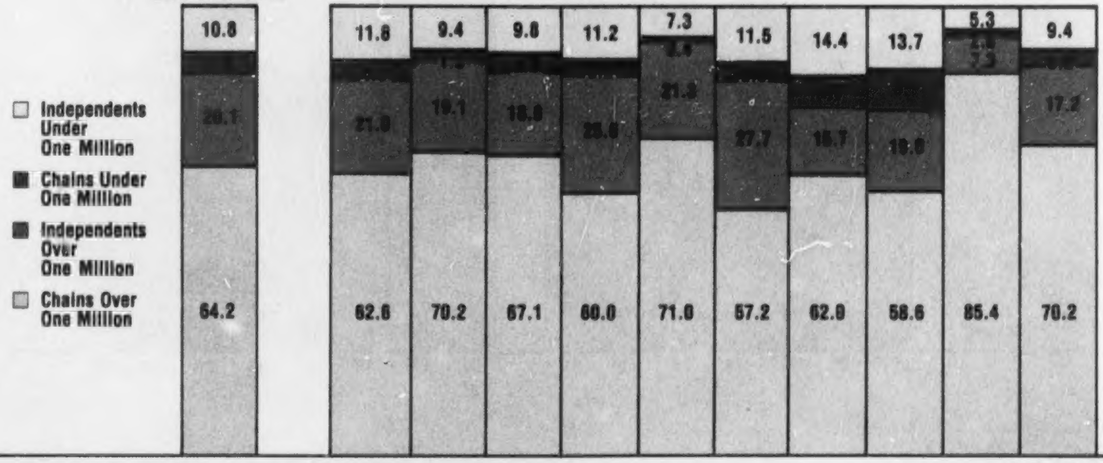
Retail Grocery Sales

Chain supermarkets with sales over $1 million annually, for the second successive year, added a full point to their share of total United States grocery sales, and their share as of June 1, 1982 stood at 64.2% (Chart 1). Large independents with sales over $1 million annually moved up a fraction, as did the smaller chain outlets. Smaller independents were the only losers—off one and one-half points. The large chain outlets in

Total U.S. Grocery Sales*—by Store Type and Area
(Consumer Dollars in Millions)

Total Dollar	U.S.	N.E.	N.Y.	M.A.	E.C.	Chi.	W.C.	S.E.	S.W.	L.A.	R.P.
Sales (Millions)	228,323	12,527	13,932	24,268	32,677	7,021	29,350	40,222	28,003	11,829	28,485
% Change vs. Yr. Ago	8	7	7	5	8	7	8	7	11	10	11
Market Importance	100.0	5.5	6.1	10.6	14.3	3.1	12.8	17.6	12.3	5.2	12.5

Division of Sales



*12 months ended June 1, 1982

Chart 1

Sales Trends of 75 Packaged Grocery Commodities
(Total U.S.)

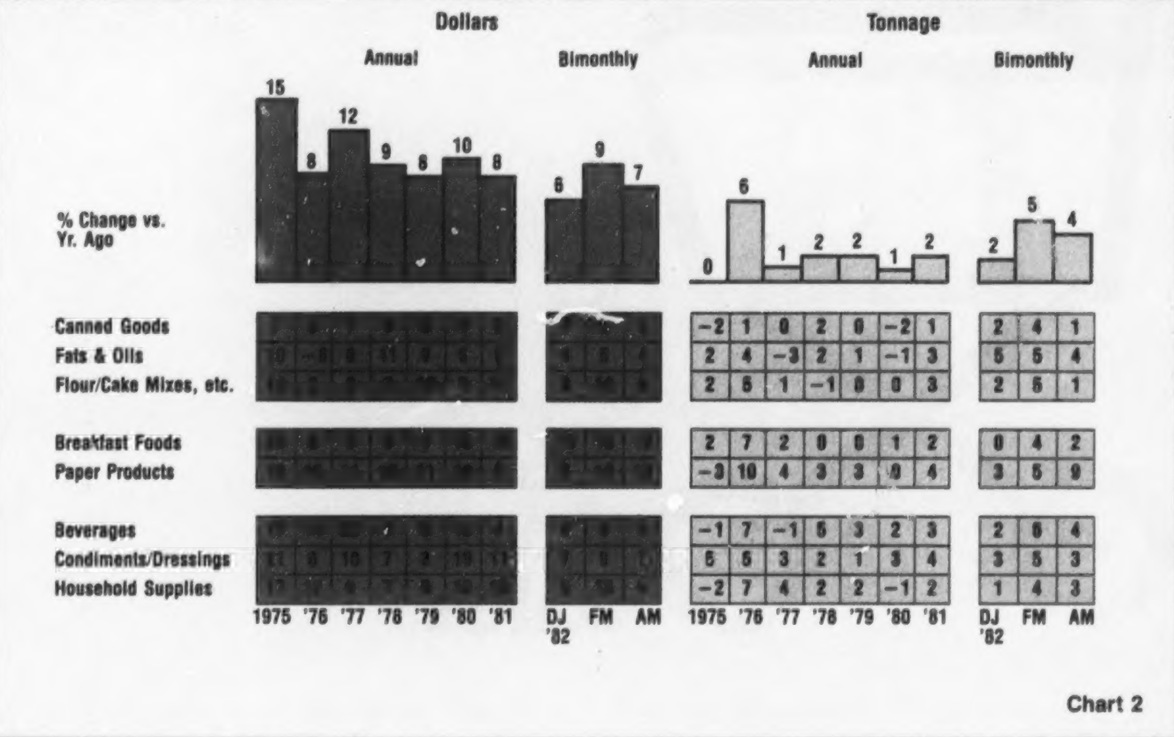
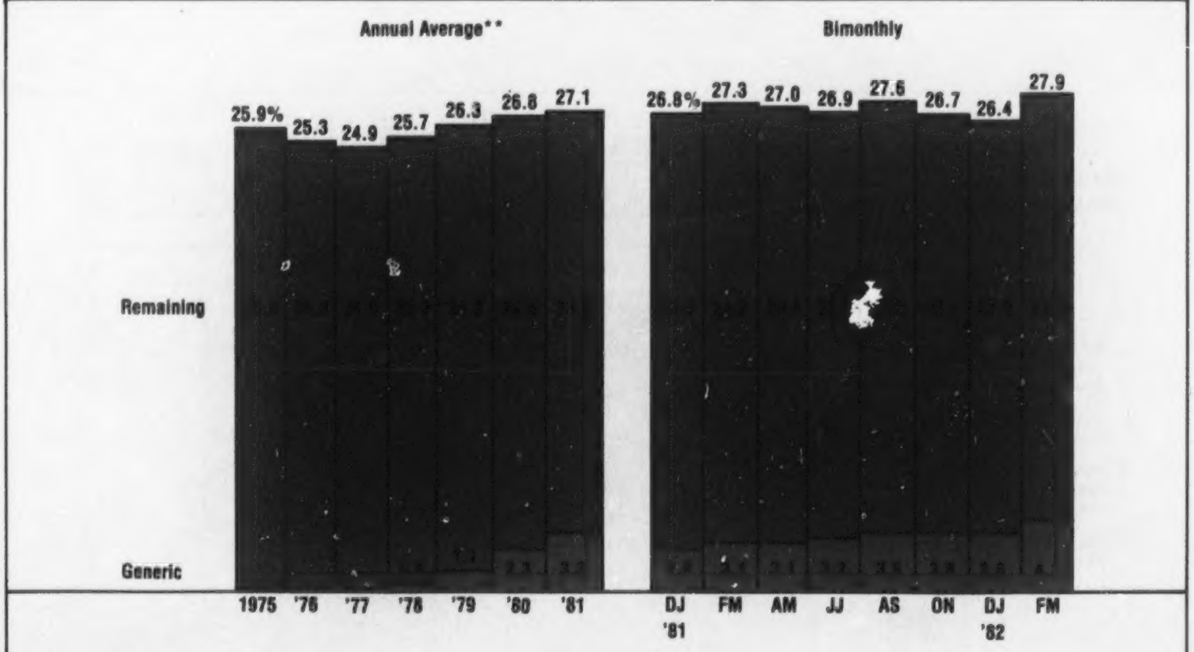


Chart 2

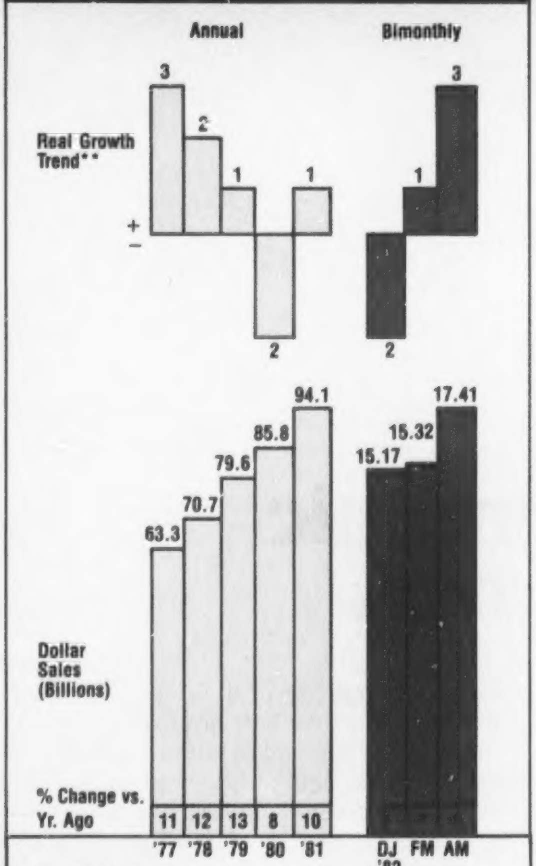
Composite Share* for Controlled Label Brands
(Based upon 35 Categories—Tonnage Basis†)



*Unweighted average—NEIS Reports
†Projected data as of on '79
**Annual average based on units prior to 1979

Chart 3

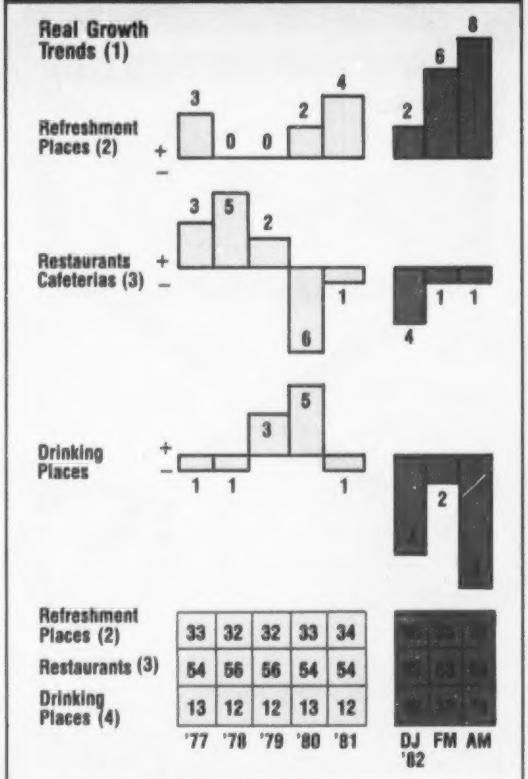
Food Away From Home Business Trends (Total U.S.)



*Revised July 1980
**Adjusted to constant dollars (with monthly all urban consumer price index levels) % change vs. year ago

Chart 4

Food Away From Home Business Trends—By Segment



1 Year ago % change of constant dollars (refreshment places & restaurants deflated by monthly all urban CPI levels for food away from home, drinking places 1978-present deflated by monthly all urban CPI levels for alcoholic beverages away from home)
2 Establishments primarily selling limited lines of refreshments & prepared food items, such as pizza, bag chicken & hamburgers for consumption
3 May sell liquor but not exceeding food sales
4 Over 50% business in on-premise alcoholic beverages

Chart 5

three areas (New York, Chicago and Remaining Pacific) moved up to 70% or more of total grocery sales for the first time in 1981, and the share for chains in Los Angeles climbed another point to 85.4%. Total United States sales were up 8%, with the strongest growth occurring in the Southwest and West.

Dollar sales of 75 packaged grocery commodities for 1981 were also up 8%—again in line with the advances of 1979 and 1976 (Chart 2). Tonnage sales increased 2% in 1981, and have shown stronger trends during the first half of 1982. Among the general categories, paper products and condiments and dressings recorded the highest gains during the year based on actual product movement.

The composite share for controlled label brands, including generics, edged up in 1981 to 27.1% (Chart 3). The increase was due entirely to the growth of generic brands. The traditional controlled label, or private label brands, declined (24.5% vs. 23.8%), as generic brands moved up a full point to 3.3%.

Food Away From Home

Although dollar sales were up 10% in the food away from home industry (Chart 4), real growth (based on adjusted dollars) advanced only 1%, thus not matching the tonnage gains of the 75 commodities (Chart 2). All the growth centered in the refreshment places (primarily fast foods), as business in both restaurants and drinking places in 1981 fell 1% below their 1980 totals (Chart 5). As a result, refreshment places moved up to 34% of the total, a high point for the past seven years. (A direct comparison of the progress made by the retail grocery industry vs. food away from home appears in Chapter 7.)

chapter 2

Economic Factors

The Consumer Price Index

Last year (between June '80 and '81) food at home prices on the Consumer Price Index advanced 21 points—two points less than the all-item average. This year the advance was only 14 points—six points less than the average (Chart 6). In fact, Apparel and Upkeep was the only group that increased less than food at home. Medical Care led the list again with a gain of 34 points, with increases for Housing and Over-the-Counter Drugs both above the average.

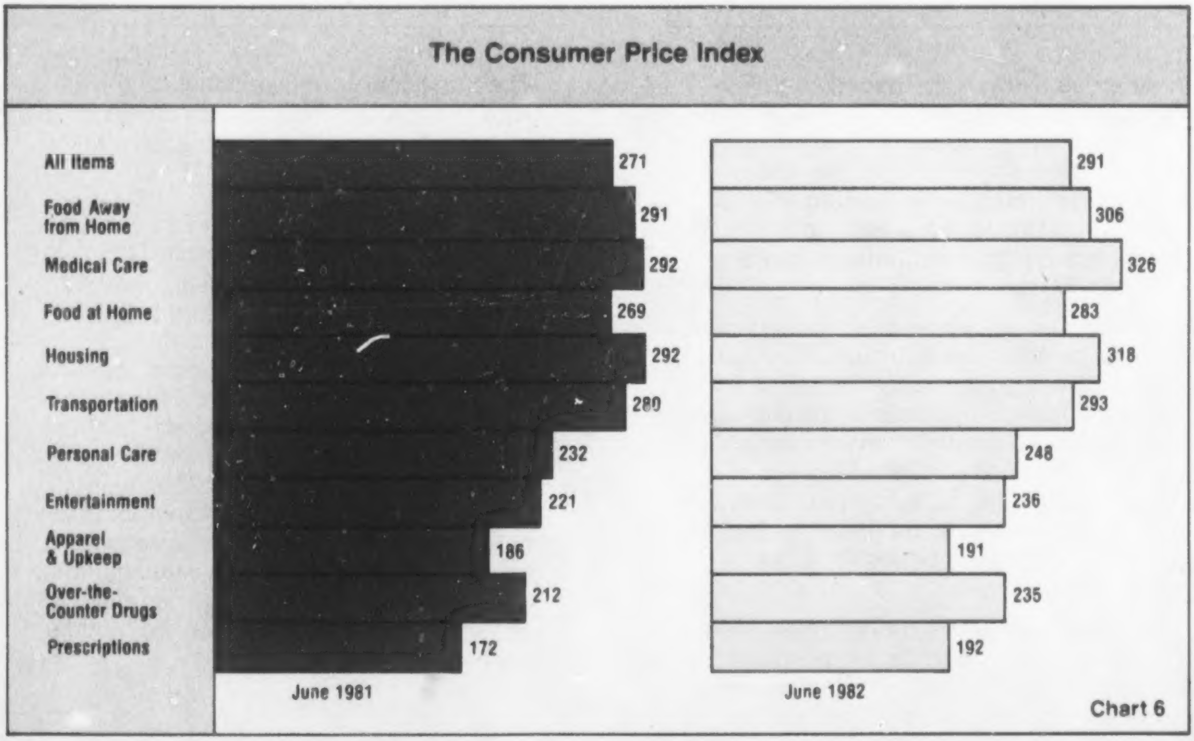


Chart 6

Per Capita Effective Buying Income and Retail Grocery Sales

	Per Capita Grocery Store Sales		Share of Income Spent in Grocery Stores	
	1980	1981	1980	1981
United States	$893	$962	11.3%	11.1%
New England	942	979	10.7	10.5
New York	830	902	8.9	8.7
Middle Atlantic	906	957	11.1	10.5
East Central	869	929	11.3	11.0
Chicago	890	872	8.3	8.5
West Central	854	924	10.8	10.9
Southeast	895	958	13.4	13.0
Southwest	939	1,030	12.4	12.2
Los Angeles	931	1,009	10.3	10.2
Remaining Pacific	919	1,029	11.4	11.3

Chart 7

Trend of Births and Birth Rate Per 1,000 Women 15-44 Years of Age

(Total U.S., Including Alaska & Hawaii)

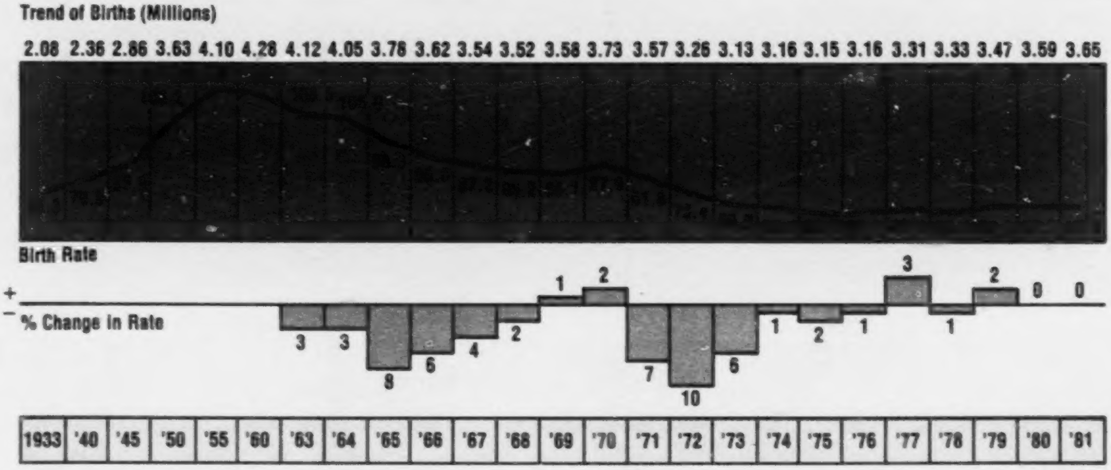


Chart 8

Income Spent In Grocery Stores

The low increase in food at home prices, mentioned above, was one of the factors in reducing once more the share of effective buying income spent for grocery products (Chart 7). The 11.1% share was a full half point below the 1978 total. The percentage spent by consumers in Chicago (8.5%) was the lowest in the nation, followed closely by New York at 8.7%.

Births Reach 11-Year High

More babies were born in 1981 than any year since 1970, and aside from that year, it's necessary to look back all the way to 1965 to find a year in which more babies appeared than last year. The actual birth rate was off a fraction from 1980 (Chart 8), but on a longer-term basis, the birth rate has been quite steady since the mid-70's.

chapter 3

New Item Introductions

A Banner Year

More new items were introduced in 1981 than in any year since 1975. The introduction of 6,115 new items was confirmation of the trend that began in 1979 and has continued without interruption ever since (Chart 9).

Six-year highs were recorded in two of the five categories—Health and Beauty Aids and Remaining Nonedibles (Chart 10). The new high in Health and Beauty Aids was especially impressive, as the 839 introductions in 1981 were 327 more than the record low of 1978 and 151 more than the previous high of 688 in 1980. New product activity was especially strong in three product classes—shampoos, hair conditioners and vitamins.

Chart 11 provides the trend of "new brand" introductions (see chart footnote) on a bimonthly basis. The 198 introductions during the August-September period of 1981 were the highest recorded for several years. The new brand introduction in February-March and April-May of 1982 (189 and 182, respectively) indicated that 1982 may be another strong year.

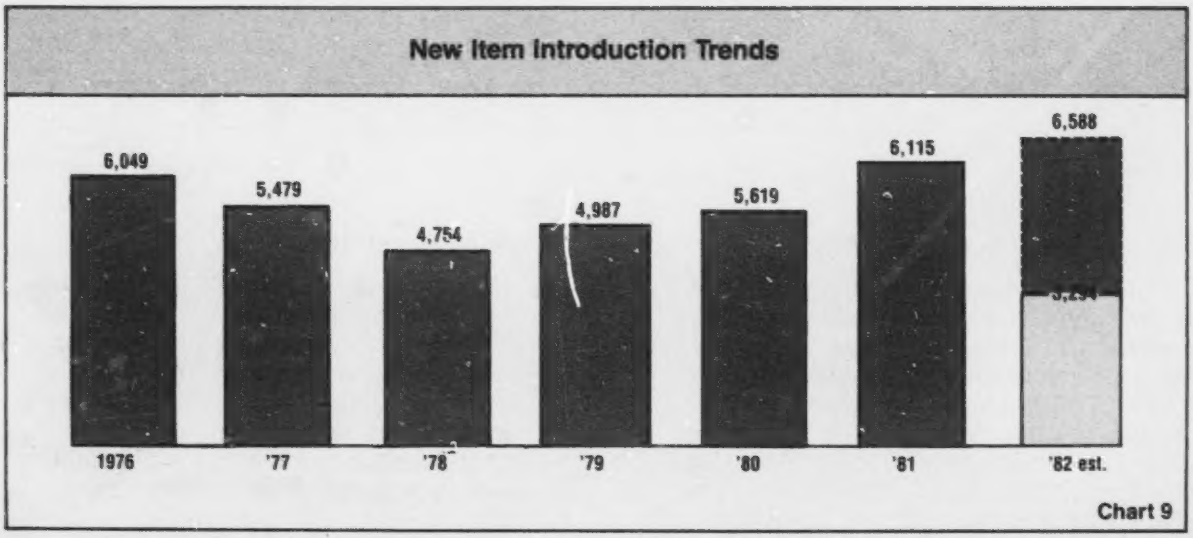


Chart 9

New Item Introduction by Category

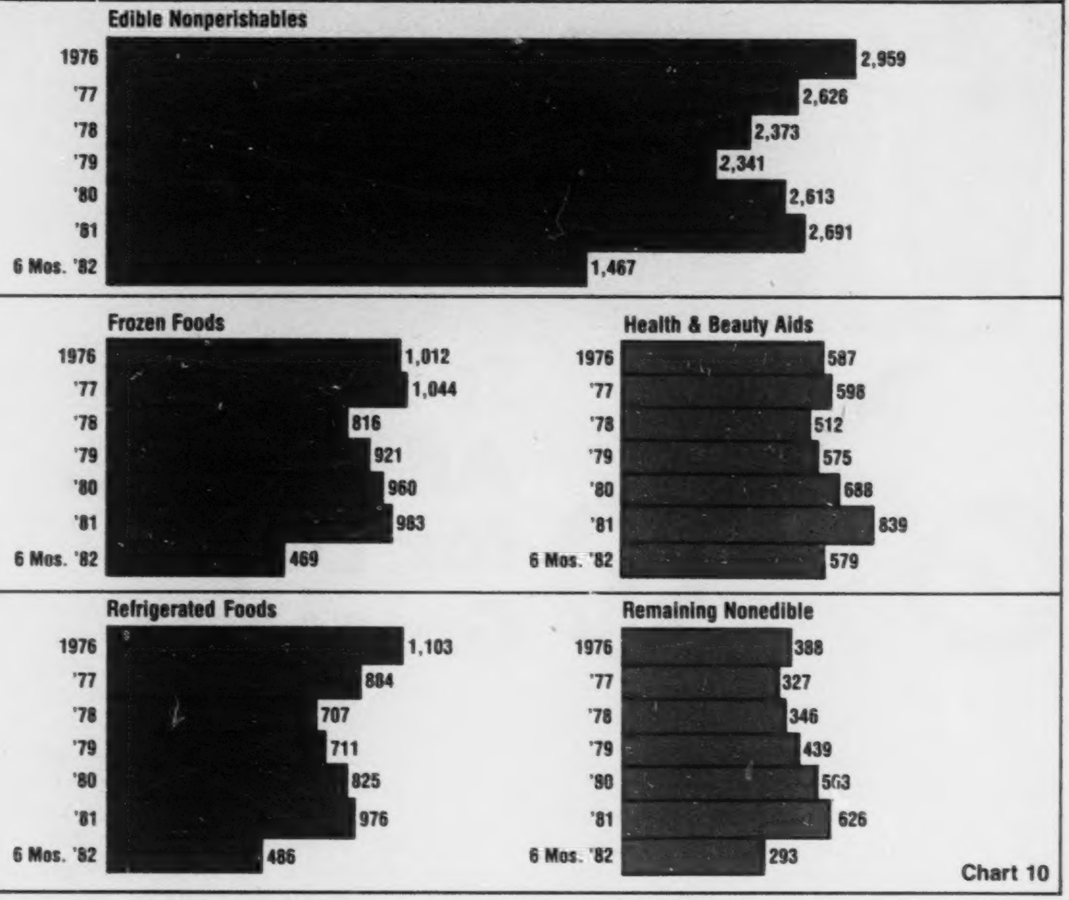
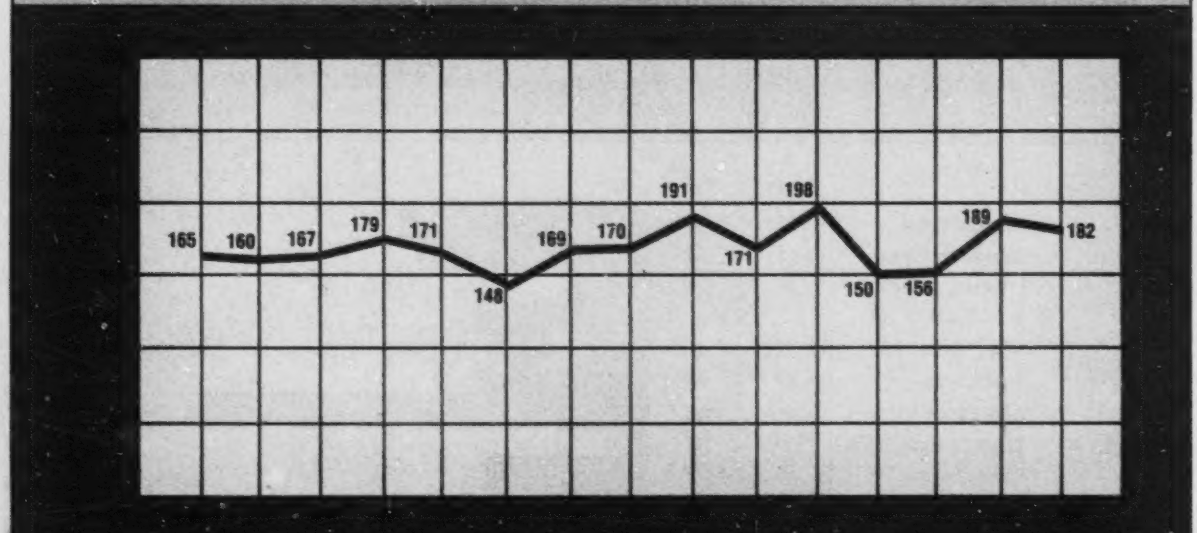


Chart 10

Total New Brand Introductions*



chapter 4

Space Allocations for Dry Groceries

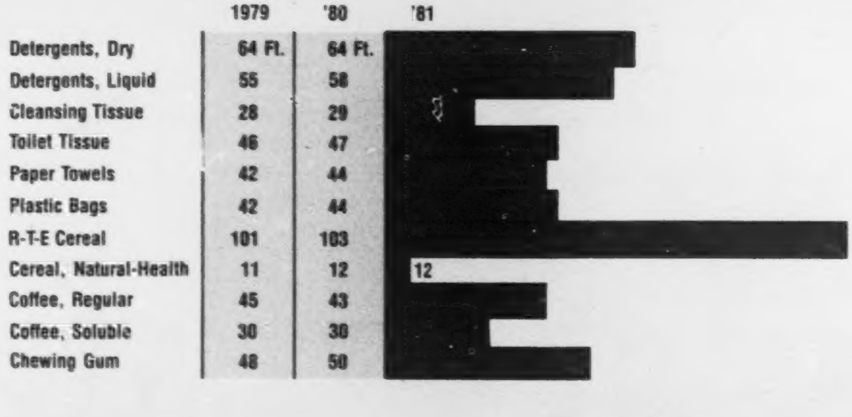
Although 10 of the 23 major grocery product groups (monitored by Nielsen for space allocations annually) were given additional shelf space, five groups lost space and there was no change for another eight (Charts 12 and 13). The limited 1981 allocations affirmed that grocery shelf space was to some degree finite, since a majority of 23 product classes had been granted additional space for the past several years.

Soft drinks were a case in point. This product class had received average additions of about 10 linear feet of shelf space every year since 1975, but lost an average 2 ft. in 1981. The largest increases in '81 were allocated to soup and dry-type dog food with average footage increases of about 6 ft. each.

Coffee vs. Soft Drinks

The minor space reduction for soft drinks,

Average Linear Shelf Space Per Store—Selected Product Groups I
(Chain Stores Over $1 Million Annual Volume)



	1979	'80	'81
Detergents, Dry	64 Ft.	64 Ft.	
Detergents, Liquid	55	58	
Cleansing Tissue	28	29	
Toilet Tissue	46	47	
Paper Towels	42	44	
Plastic Bags	42	44	
R-T-E Cereal	101	103	
Cereal, Natural-Health	11	12	12
Coffee, Regular	45	43	
Coffee, Soluble	30	30	
Chewing Gum	48	50	

Chart 12

and the additional 1 ft. allocated to both regular and soluble coffee, is apparent on Chart 14. For the first time since 1975, the average share of space granted to soft drinks declined to just under 75% when compared to coffee.

Store-delivered Products Outperform Average Grocery Items

With growing interest in direct-store delivery product classes, we have included a special section this year covering examples of the importance and strength of some of

Average Linear Shelf Space Per Store—Selected Product Groups II

(Chain Stores Over $1 Million Annual Volume)

	1979	'80
Dog Food • Dry Type	68 Ft.	71 Ft.
• Canned Wet	55	55
• Moist	21	22
Cat Food • Dry Type	27	29
• Moist	13	14
• Canned specialty	35	35
• Canned maintenance	14	14
Crackers	64	69
Soft Drinks • Liquid	209	223
Candy • Ret. Less Than $3.50	130	134
Soup • Canned & Dry	95	98
Fruit Drinks • Canned	48	48

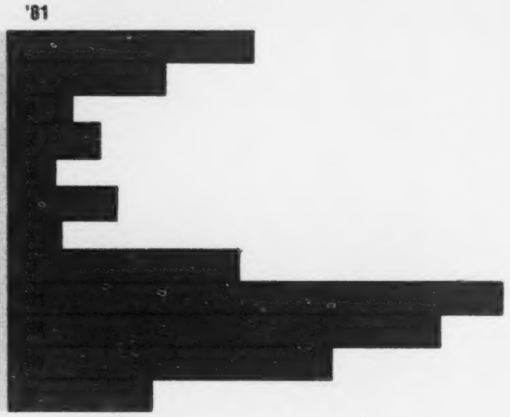


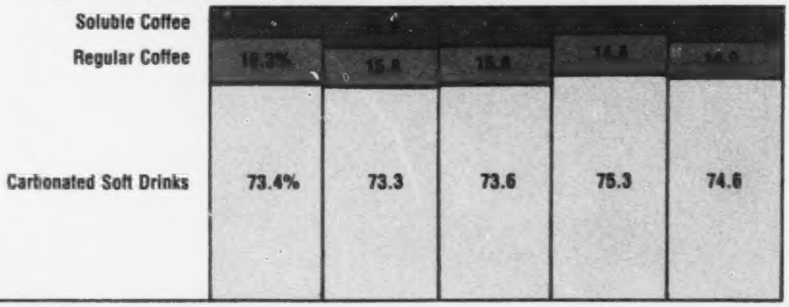
Chart 13

Average Linear Shelf Space—Coffee vs. Soft Drinks

(Chain Stores Over $1 Million Average Volume*)

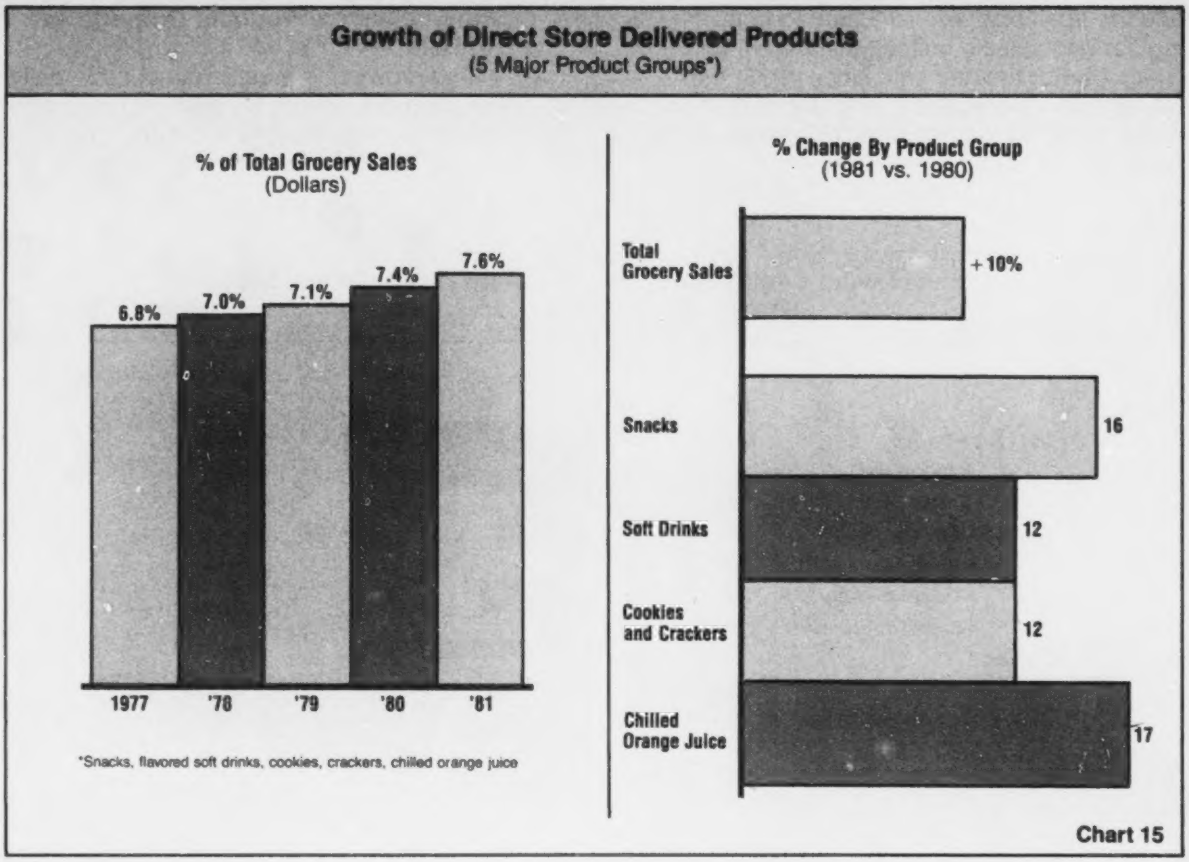
Linear Footage:	1977	1978	1979	1980	1981
Total	263	266	284	296	296
Soluble Coffee	27	29	30	30	31
Ground Coffee	43	42	45	43	44
Carb. Soft Drinks	193	195	209	223	221

Competitive Division:



*Chains for 1977 and 1978 were over $500,000 annual volume

Chart 14



Growth of Direct Store Delivered Products
(5 Major Product Groups*)

*Snacks, flavored soft drinks, cookies, crackers, chilled orange juice

Chart 15

these categories.

The five groups shown on Chart 15 in total have been increasing in importance, and during 1981 accounted for 7.6% of total grocery sales—equal to just under $17 billion. Each of these groups outpaced average grocery sales in 1981, with snacks and chilled orange juice gaining six to seven points above the average.

Frozen and Refrigerated Foods

The increase in linear feet allocated to frozen food in 1981 advanced once more, but at 11 ft. was the smallest gain recorded during the past five years (Chart 16). Average store footage in the New York and Middle Atlantic areas was below year-ago levels, but above-average increases in the East Central, Metro Chicago, Southeast and Los Angeles areas more than offset the losses. Retailers in the Metro Chicago Area continued to devote more space to frozen food than any other territory in the country.

Chart 17 provides a breakdown of major

Average Linear Feet of Shelf Space Devoted to Frozen Foods
(Chains Over $1 Million Annual Volume*)

	1977	1978	1979	1980	1981
U.S. Average	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New England	323	[illegible]	328	350	408
New York	318	319	376	415	343
Mid. Atlantic	343	353	421	345	[illegible]
East Central	283	291	296	284	309
Metro. Chicago	356	387	429	472	494
West Central	316	352	360	368	379
Southeast	249	265	284	328	351
Southwest	253	256	280	300	318
Los Angeles	362	406	412	418	432
Rem. Pacific	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

*Chains in 1977 and 1978 were over $500,000 annual volume

Chart 16

Average Linear Feet of Shelf Space Devoted to Frozen Foods—by Type
(1980 vs. 1981—Chains Over $1 Million Only)

	Potatoes		Other Vegetables		Orange Juice		Fruit Dessert Pies		Other Dessert Pies		Pastry Items		Meat Pies		Bread		Other Juices		Entree Items		3-Course Dinners		Regular Dinners		Fish		Poultry		Pizza		Remaining Items	
	'80	'81	'80	'81	'80	'81	'80	'81	'80	'81	'80	'81	'80	'81	'80	'81	'80	'81	'80	'81	'80	'81	'80	'81	'80	'81	'80	'81	'80	'81	'80	'81
U.S.	23	24	58	60	11	10	10	10	6	7	28	27	9	9	5	5	12	13	43	45	12	13	26	25	34	34	16	17	23	25	39	39
N.E.	25	23	71	78	10	10	6	7	6	6	36	36	9	9	5	5	10	11	62	64	10	10	24	25	34	31	20	19	23	30	51	48
N.Y.	22	29	81	80	11	8	7	6	5	5	40	37	8	7	4	5	12	12	72	67	17	13	21	20	32	29	20	20	20	17	52	44
M.A.	25	25	63	63	14	11	8	8	7	8	35	28	11	13	6	5	16	14	61	56	15	11	29	23	38	39	22	20	29	27	72	52
E.C.	20	22	48	50	10	9	8	8	5	5	22	23	8	8	6	5	8	10	34	36	11	12	30	21	33	31	11	13	16	17	31	42
Chi.	35	34	95	94	10	14	8	8	6	8	36	35	8	12	5	6	12	14	68	57	17	23	32	38	48	58	19	23	40	42	38	42
W.C.	28	26	53	55	12	12	13	11	7	7	29	27	10	10	7	7	13	15	43	44	10	8	30	27	37	37	15	15	31	34	40	45
S.E.	23	26	58	62	9	9	11	13	8	7	29	28	9	9	5	7	9	10	37	43	11	14	24	28	32	37	16	17	22	27	31	39
S.W.	20	20	52	54	10	10	10	10	6	7	24	23	8	9	3	3	11	11	35	38	8	11	26	29	33	28	16	16	19	23	34	31
L.A.	21	25	74	66	14	14	12	13	8	8	30	31	10	12	6	6	19	21	59	57	20	20	31	40	38	43	14	21	24	25	35	39
R. Pac.	19	20	50	53	11	10	9	9	5	6	21	22	7	9	4	5	16	18	33	34	14	15	32	30	27	28	15	17	19	21	30	24

Chart 17

Average Linear Feet of Shelf Space Devoted to Refrigerated Foods
(Chains Over $1 Million Annual Volume*)

	1977	1978	1979	1980	1981	
U.S.	229 ft.	248 ft.	268 ft.	274 ft.	289 ft.	
New England	228	233	239	271	266	
New York	232	226	264	292	266	
Mid. Atlantic	236	251	279	293	294	
East Central	223	237	261	251	285	
Metro. Chicago	241	269	282	301	321	
West Central	219	245	250	249	270	
Southeast	214	228	241	256	282	
Southwest	223	248	274	273	275	
Los Angeles	290	330	351	323	369	
Rem. Pacific	248	271	291	306	312	

*Chains in 1977 and 1978 were over $500,000 annual volume

Chart 18

frozen food categories by type and area. Increases by product group at the United States level were relatively minor (range of 1 ft. to 2 ft.), as were the declines. But gains and losses by product class by area were fairly extensive as retailers endeavored to find the "right mix" for their customers.

Refrigerated Foods

The 15-ft. linear increase in space for refrigerated foods in 1981 at the United States level was more in line with the additions in 1978 and '79 than in 1980 (Chart 18). Retailers in Los Angeles and the East Central allocated the greatest additional footage, and Los Angeles stores continue to offer more space to refrigerated food than any other area in the country.

Aside from the additional 8 ft. awarded cheese on the national level, the increases and losses were in the 1 ft. to 2 ft. range (Chart 19). Similar to frozen foods, it was evident that retailers in each area were striving to achieve the most profitable foot-

Average Linear Feet of Shelf Space Devoted to Frozen Foods—by Type

(1980 vs. 1981—Chains Over $1 Million Annual Volume)

	Milk Products		R.T.S. Orange Juice		Fruit Drinks		Cottage Cheese		All Cheese (Excl. Cottage)		Eggs		Butter		Margarine		Refrig. Biscuits		Refrig. Rolls		Refrig. Pastry		Yogurt		Rem. Refrig. Prod.	
	'80	'81	'80	'81	'80	'81	'80	'81	'80	'81	'80	'81	'80	'81	'80	'81	'80	'81	'80	'81	'80	'81	'80	'81	'80	'81
U.S.	41	42	11	11	16	12	[illegible]	[illegible]	[illegible]	[illegible]	17	[illegible]	7	7	34	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N.E.	36	36	15	16	7	7	14	14	69	68	14	14	7	8	33	31	6	8	4	4	6	4	26	25	21	[illegible]
N.Y.	33	27	16	15	10	11	17	15	92	89	11	10	11	10	28	26	7	9	4	4	5	4	25	24	37	[illegible]
M.A.	34	37	13	12	12	16	12	13	97	99	13	15	10	9	37	36	11	9	4	6	6	4	29	24	24	[illegible]
E.C.	32	37	9	9	10	11	8	8	83	105	14	15	5	6	34	37	12	14	5	6	6	6	14	16	26	[illegible]
Chi.	34	40	17	21	10	12	9	8	109	114	17	16	9	8	29	31	13	14	6	7	5	8	19	18	28	[illegible]
W.C.	43	46	7	8	9	9	8	10	83	95	16	17	5	5	33	36	9	11	4	5	6	5	11	15	21	[illegible]
S.E.	43	46	12	12	9	11	8	9	73	86	18	21	6	7	34	37	21	24	4	4	6	5	16	16	14	[illegible]
S.W.	48	48	9	9	9	10	6	6	86	84	16	17	7	7	37	37	24	18	5	7	7	7	13	14	16	[illegible]
L.A.	46	56	15	15	14	16	11	12	102	114	23	24	9	8	29	31	13	13	7	6	7	8	26	35	23	[illegible]
R. Pac.	40	46	9	9	12	13	10	10	[illegible]	[illegible]	21	22	9	9	[illegible]	41	10	10	4	6	[illegible]	[illegible]	21	22	[illegible]	[illegible]

Chart 19

Orange Juice by Type

(Division of Sales)

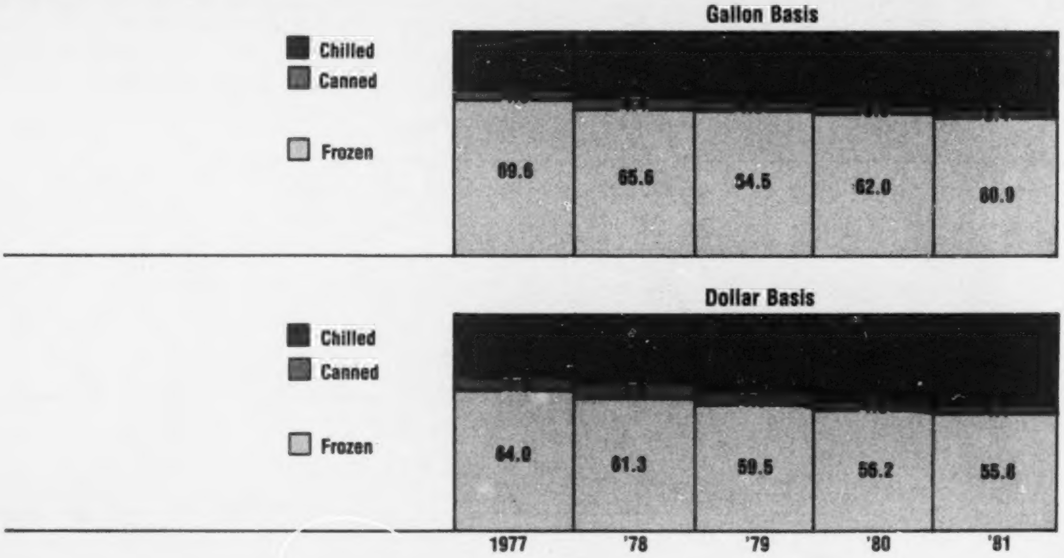
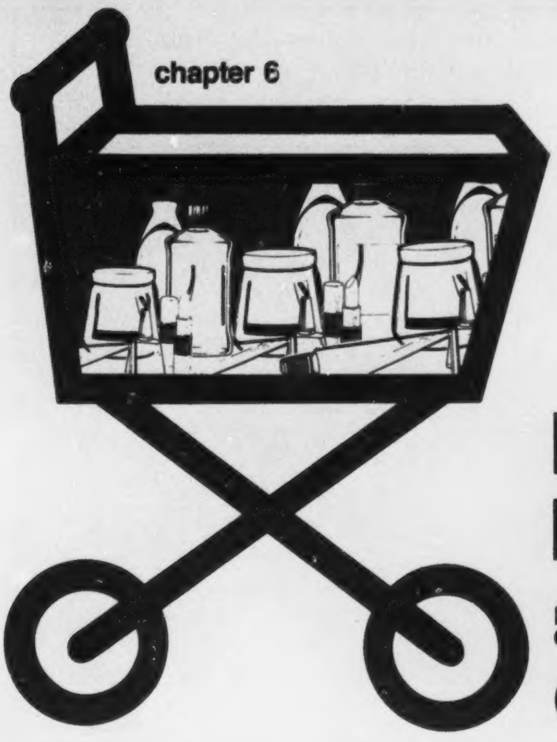


Chart 20

age combinations by trimming here, and adding there, to allocations for the different product groups.

Nationally, there was no change in the space allocated to ready-to-serve orange juice, but it continued to add sales share measured by either gallons or dollars (Chart 20). The dollar share of chilled orange juice topped 40% for the first time, and gallon share also reached a new high.

chapter 6



Health and Beauty Aids and Selected Cosmetics

Health and beauty aid sales in drug stores during 1981 increased by 11% over 1980. All of that increase can be traced to price increases since 1981 unit movement was slightly (−2%) below 1980 levels (Chart 21). Advances of +17% in dollars and +4% in units by grocery stores were the highest of the three outlets with mass merchandisers almost equaling the grocery unit gain rate.

Grocery share of sales for these 25 categories topped 50% for the first time in history (Chart 22) with both mass merchandisers and drug stores losing fractions of a point. Total dollar sales of all categories reached $11.3 billion in 1981 in the three outlets, about double the 1975 total.

HBA's—Dollar and Unit Sale's Progress
(25 Major Product Groups)

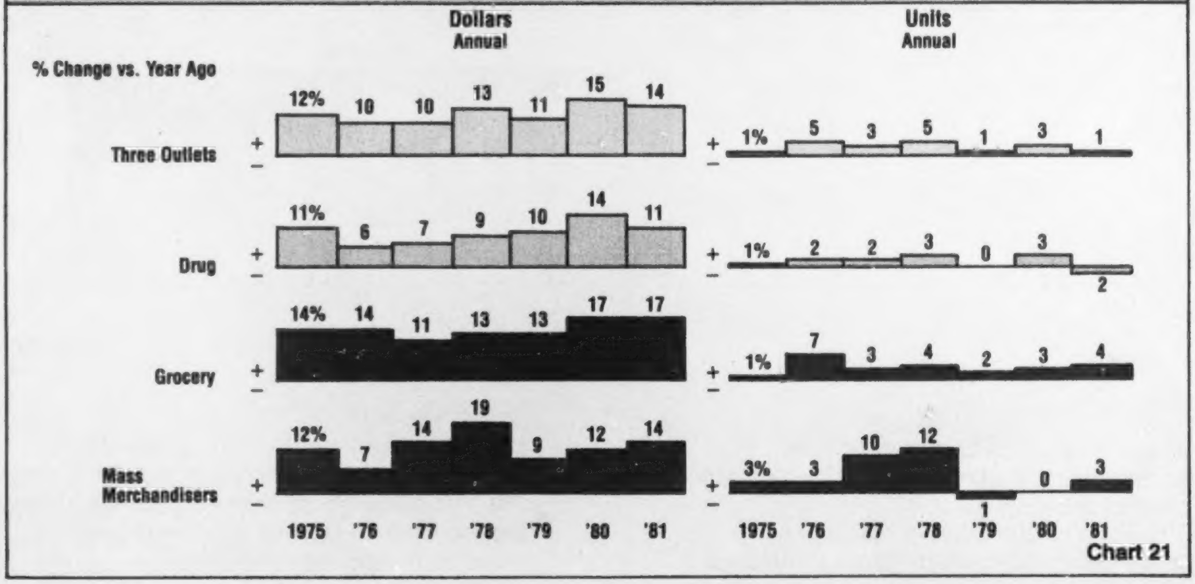


Chart 21

Division of HBA Dollar Sales Drug—Grocery—Mass Merchandisers

(25 Product Groups)

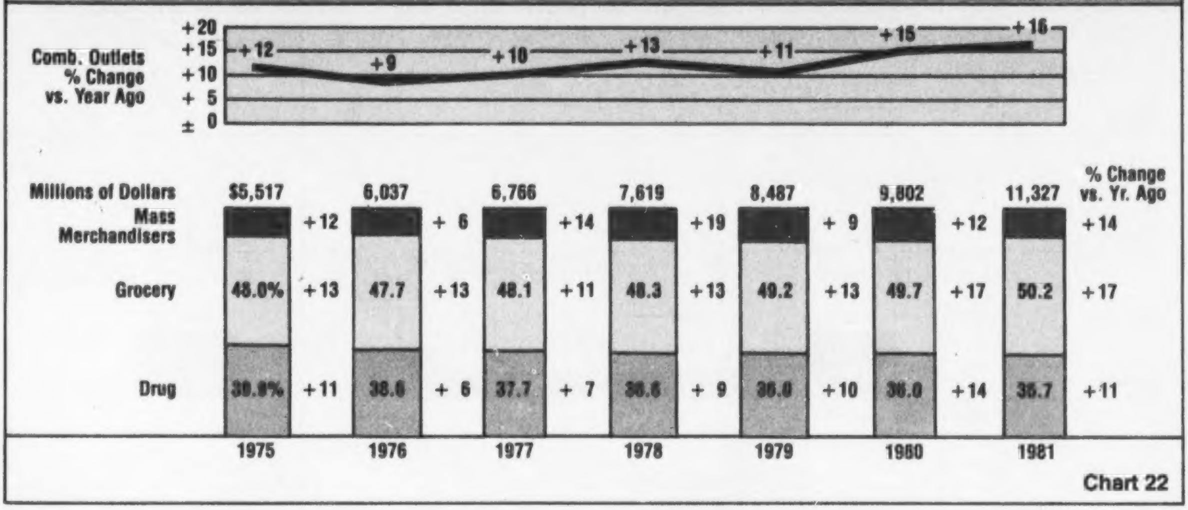


Chart 22

Division of HBA Sales by Outlet

(Dollar Basis)

	Drug	Food	[illegible]		Drug	Food	[illegible]
25 HBA's	35.7	50.2	[illegible]	Disposable Diapers	12.0	77.8	[illegible]
Hair Preparations	38.6	45.4	[illegible]	Foot Remedies	69.8	21.1	[illegible]
Razor Blades	30.3	53.1	[illegible]	Shampoo	31.2	51.3	[illegible]
Aerosol Shave Cream	34.7	49.7	[illegible]	Deodorants	31.1	51.6	[illegible]
After Shave Lotion & Cologne	63.2	13.9	[illegible]	Feminine Douches	47.8	37.9	[illegible]
Dentifrices	23.4	62.5	[illegible]	Sanitary Protection	26.0	62.1	[illegible]
Oral Antiseptics	31.0	53.3	[illegible]	Hand Lotions	52.9	32.6	[illegible]
Vitamins	73.7	17.9	[illegible]	Face Creams	62.1	21.6	[illegible]
Cold Tablets	42.6	48.4	[illegible]	Hair Coloring	62.0	17.2	[illegible]
Sinus Headche Remedies	41.5	49.3	[illegible]	Hair Fixatives	33.6	47.3	[illegible]
Topical Antiseptics	45.6	43.3	[illegible]	Home Permanents	57.4	18.0	[illegible]
Headache Remedies	38.6	51.8	[illegible]	After Shampoo Products	41.1	41.3	[illegible]
Stomach Remedies	50.7	40.6	[illegible]	Bath Additives	56.7	27.6	[illegible]

Chart 23

Share gains by grocery stores were widespread (21 product classes) with increases of approximately one point in six product classes (razor blades, shave creams, vitamins, cold tablets, sinus remedies and feminine douches) and lost ground in only four (topical antiseptics, disposable diapers, after shampoo products and bath additives—Chart 23). Drug outlets improved their position in seven product classes (up over a point in disposable diapers, bath additives and hand lotions) and suffered losses in 17 categories. The largest loss was in vitamins—2.5 points—and declines of over a point in cold tablets, sinus remedies and face creams.

Drug outlets reduced their inventories of HBA's in 1981 for the fourth consecutive year, but no change was noted during the

Trend of HBA Retail Inventories—By Outlet

(25 Major Product Groups—Unit Basis)

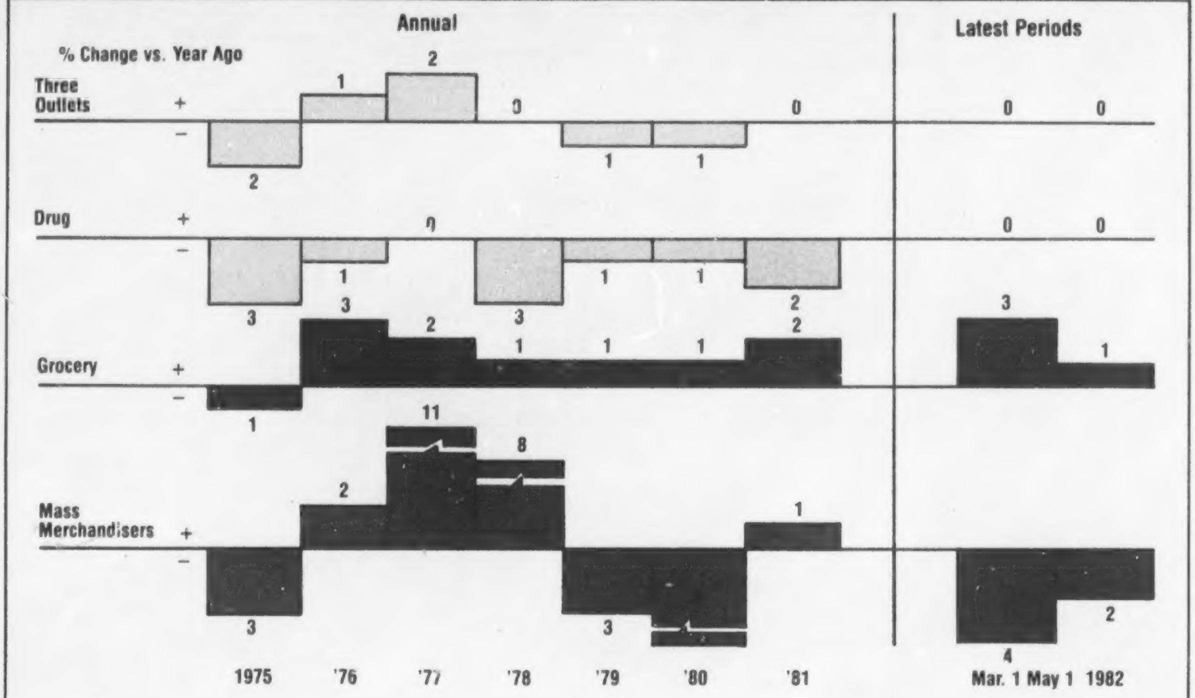
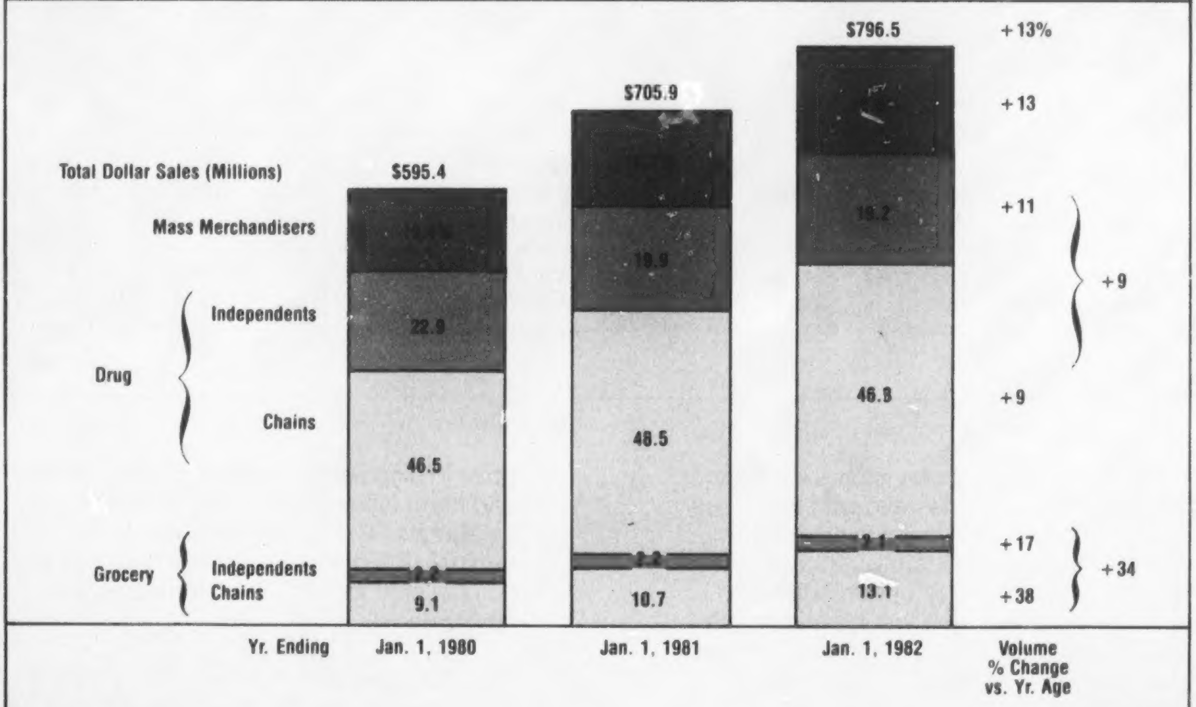


Chart 24

Selected Cosmetics*—Share of Sales by Outlet & Store Type

(Total U.S.—Consumer Dollars)



*Mascaras, eye shadows, lip makeups, nail polish, liquid facial makeups

Chart 25

most recent periods in 1982 (Chart 24). In contrast, grocery outlets continued to build their stocks—plus 2% in 1981 and gains, on a bimonthly basis, so far in 1982. Retail inventories in mass merchandisers have followed a somewhat erratic pattern for several years. After reducing stocks in both 1979 and 1980, there was a 1% gain in 1981, but declines of 4% and 2% were recorded thus far in 1982. Compared to 1980, 1981 saw slight improvements in overall rates of stock turn for the drug and grocery trade, while mass merchandisers held even.

Selected Cosmetics

Sales of selected cosmetics advanced over $90 million during 1981 for a three-outlet gain of 13% (Chart 25). Sales growth in grocery outlets continued at a breakneck pace (+34%), and cosmetic sales in grocery stores have now tripled in size since our first reading in 1977. Mass merchandiser sales equaled the average growth, moving up 13%, but drug stores recorded a below-average gain of 9%.

Chart 25 provides a breakdown by share of sales for all three trade classes and an additional separation of chains vs. independents for both drug and grocery outlets. The 38% sales gain by chain grocery stores resulted in a share increase of almost 2½ points, to a new high of 13.1%—without doubt the most notable trend.

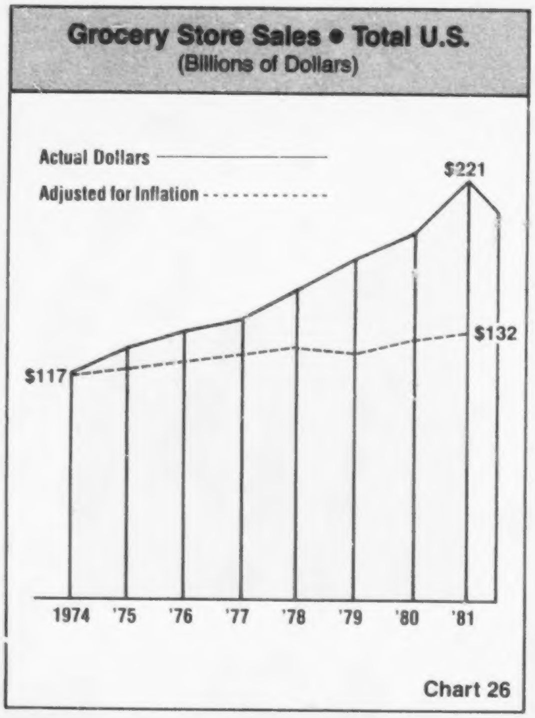
chapter 7

The Grocery Industry... How Much is it Changing?

Donald L. Ritter

The feature chapter of the 1982 Nielsen Review is a reprint of D. L. Ritter's recent address to the Grocery Manufacturers Association (GMA) West Coast Marketing Seminar. Mr. Ritter is vice president and manager of Grocery Industry Services.

During his introduction, Mr. Ritter noted that he planned to cover the overall grocery business, which would include sales trends, growth, turnover, a brief report on generics, food away from home, and finally some long-term developments and their impact on the southern and western regions relative to other parts of the country.



Grocery Store Sales • Total U.S.
(Billions of Dollars)

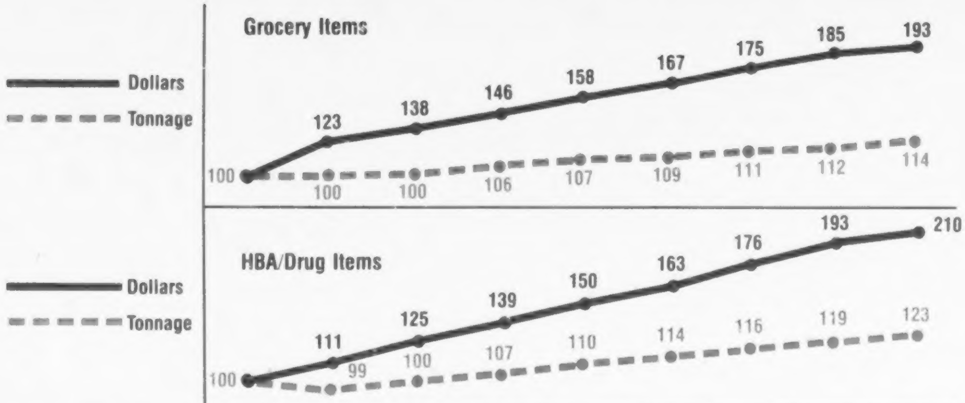
Chart 26

The total grocery business has achieved significant dollar growth during the decade of the 70's and into the 80's. It grew to $221 billion in 1981, almost double the size of the business in 1974. That's an average annual increase of nearly 10% a year—a growth rate also recorded for 1981 itself.

We all know, however, what inflation does to our dollars. And if we were to adjust the 1981 dollars back to 1974 dollars, we'd see the business now at $132 billion rather than $221 billion. This would result in an average gain of about 2%—not too much above the growth rate of the population (Chart 26).

This trend is supported by the difference in dollar and tonnage growth of 75 grocery commodities and 25 HBA categories which we measure in our audits (Chart 27). Note that on an index basis, using 1973 as 100 or par, consumer sales of the grocery items are up 14% over the eight years on the chart.

Retail Sales Trends—Grocery Stores
(75 Grocery & 25 HBA/Drug items)



		1973	1974	1975	1976	1977	1978	1979	1980	1981
Drug Stores	Dollars	100	110	121	127	134	143	153	167	178
	Tonnage	100	102	103	105	107	110	110	113	111

Chart 27

Shares of Retail Expenditures
(Based on 1981 Dollars)

	Food Stores*	Eating and Drinking Places**
1971	73.9%	26.1%
1972	73.3	26.7
1975	71.4	28.6
1976	71.3	28.7
1979	70.5	29.5
1980	71.4	28.6
1981	71.6	28.4

*Adjusted for food at home CPI
**Adjusted for food away from home CPI

Chart 28

This is an average increase of less than 2%. Meantime, the HBA's are up 23% or just under 3% a year. That, by the way, is twice the growth of what drug stores (shown at the bottom of the chart) have achieved on these same categories over the same time span, with drug stores now at 111. It is interesting to observe that back in the 1974-75 recession era, both sets of trend lines were flat at an index of about 100; then they moved up rather strongly in 1976. Since then, tonnage sales have increased rather steadily, although moderately, right up through 1981. A distinct change, considering what the economy has been recently! And so far in 1982, things look much the same, or actually a bit stronger on a tonnage basis (3%-4%).

So I think we'd have to say the grocery business has done reasonably well lately, as well as over the long haul.

Perhaps this is best borne out by Chart 28, which shows the relationship of the food store business directly against the food away from home business.

Here we have adjusted food store sales by the food at home consumer price index (CPI), and the eating and drinking places by the food away from home CPI. Then we've shared the two segments against each other. Now there have been some inroads made by the food away from home segment over the last decade, with share going from about 26% in the early 70's to nearly 30% in 1979. Note, however, that the relationship has been fairly steady in recent years. I'm not suggesting that anyone should sit back and conclude that nothing will ever change in this relationship for at least two reasons:

First, changing consumer lifestyles and population demographics point to more working women, smaller households and high priorities on people's time.

And second, the food store business is somewhat countercyclical to inflation and recession. By that I mean the grocery store business overall strengthens to some extent when times are tough compared to what other businesses do.

Still, the degree of change seen here is much smaller than what was predicted by many people only a few years ago. And this points to the importance of continuing to do well what we do, rather than looking for indications that the sky may be about to fall.

Now, in truth, everyone is called upon to deal with change. Of course, there is a great deal going on within the grocery industry—down beneath the surface of the broad stability I have described thus far. One of the most significant shifts has been in the mix of store types which has emerged, from small service stores, to large self-service supermarkets, convenience stores, etc., and continues to take shape. The economics, product line mix, consumer attraction and a host of other issues surrounding these changes are well known to all of you.

The point I want to make is that even with all of this activity, the total turnover for the grocery industry has changed very little in recent years.

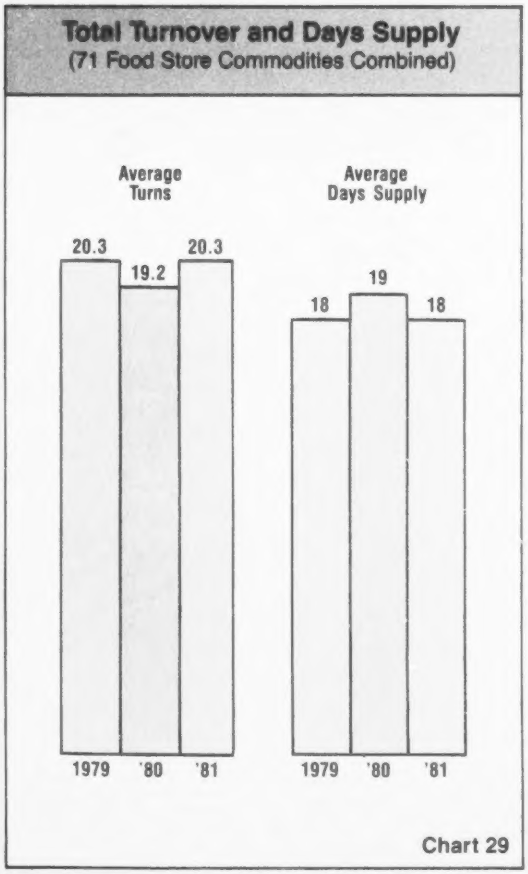

Total Turnover and Days Supply
(71 Food Store Commodities Combined)

Chart 29

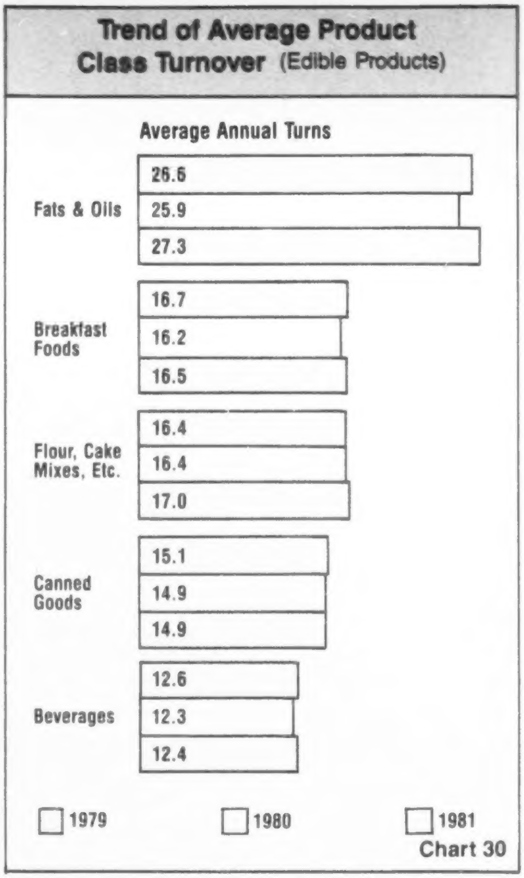
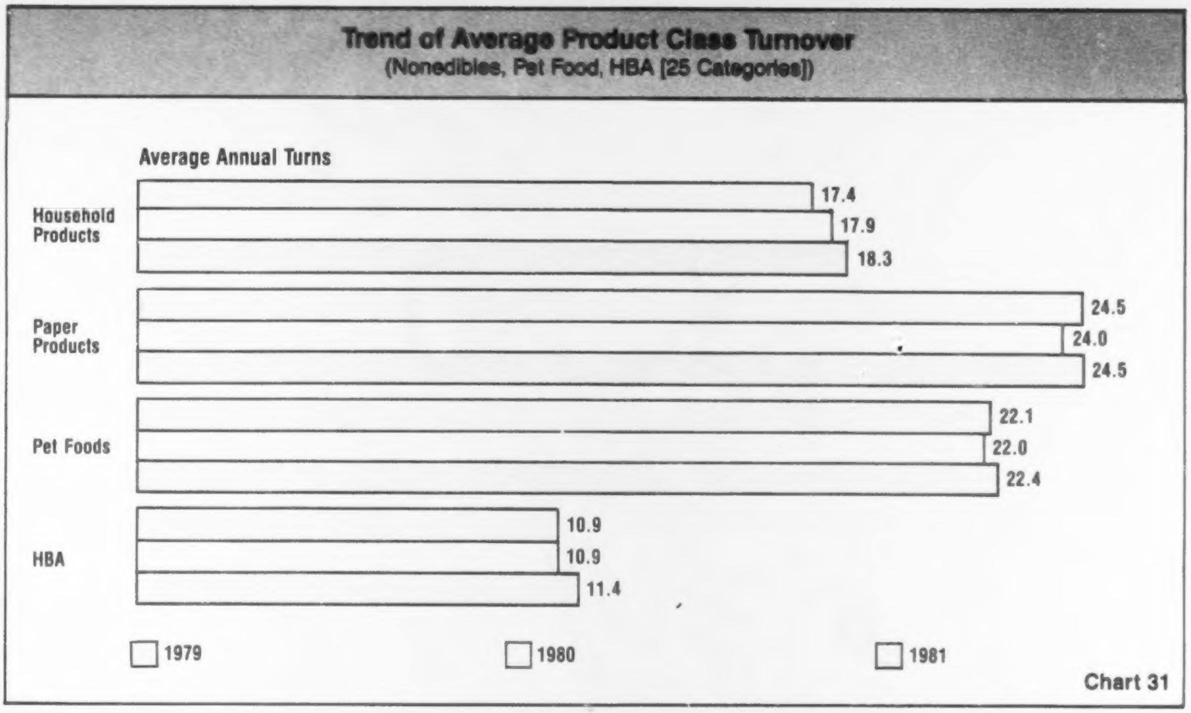

Trend of Average Product Class Turnover (Edible Products)

Chart 30

The figures in Chart 29 are for a broad number of product categories which we have been auditing on a continuous basis for years. Note that the average number of turns through retail stores is little different from one and two years ago.

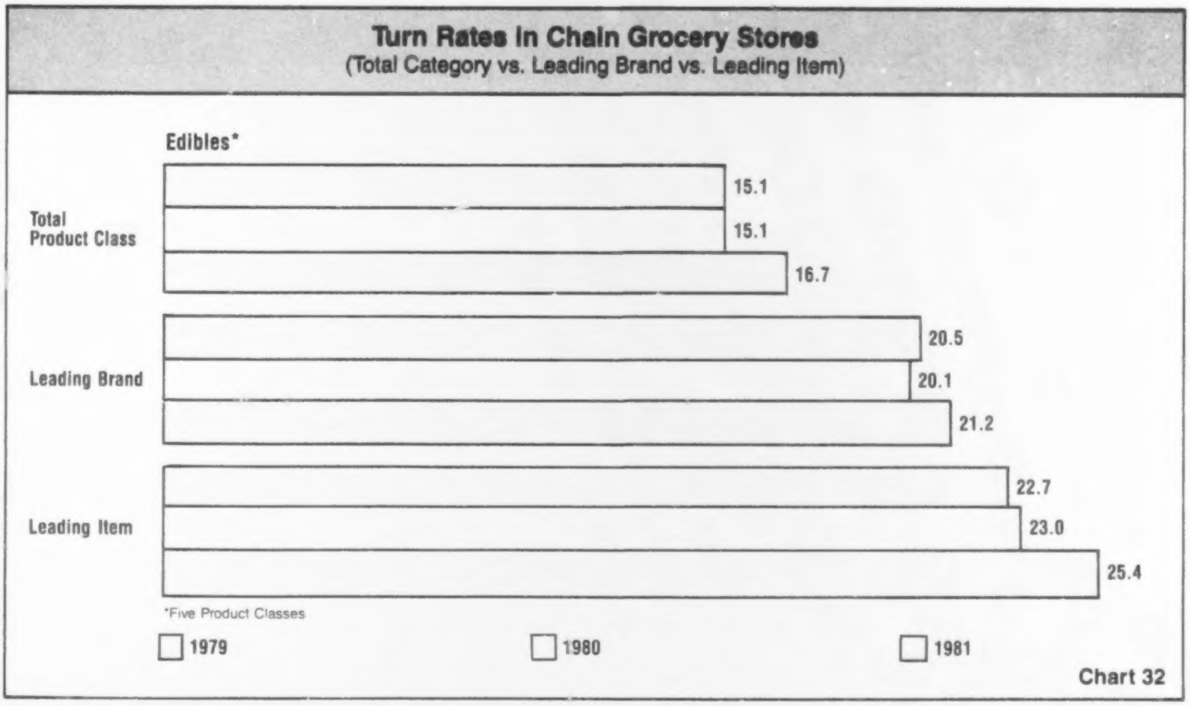
This is also true for subcategories within the total. Chart 30 shows a number of edible subgroups. The turn rates by group are different, but the change from '79 through '81 is about the same, no matter which group you look at.

Nonedibles tell much the same story except for a moderate increase in HBA products—a separate group of 25 categories not included in the 71 grocery grouping (Chart 31). Now, what does all this mean? It seems to say that even with all of the changes in store types, delivery patterns and technology, the industry has adjusted retail inventory levels quite well to stay in line with the change in sales. The total turns of merchandise through stores is at about the same rate in the early 80's as was true in the late 70's.



Trend of Average Product Class Turnover
(Nonedibles, Pet Food, HBA [25 Categories])

Chart 31

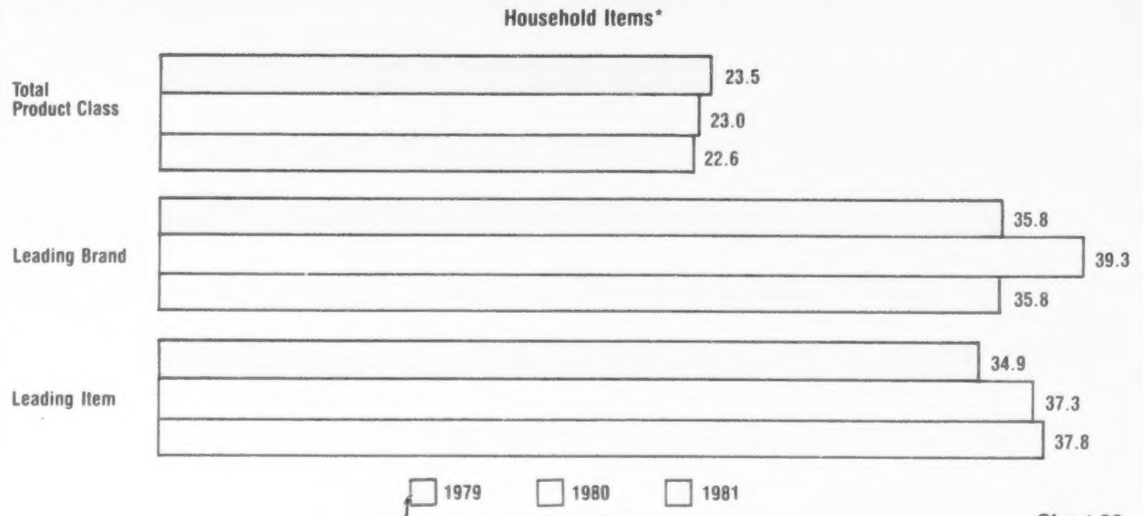


Turn Rates in Chain Grocery Stores
(Total Category vs. Leading Brand vs. Leading Item)

Chart 32

The challenge for both the manufacturer and the retailer still lies in individual brands and sku's. Productivity is not achieved on a shotgun basis. As a demonstration, Chart 32 provides the turnover relationship between the leading brand and the leading item in five edible categories, compared to the total product class. Here the differences are clear. The turn rates for these brands and items are much faster, and they do change from year to year. The same picture is true for a group of three household categories (Chart 33). So more and more, the focus of both manufacturer and retailer must be on the productivity of individual brands and items.

Turn Rates In Chain Grocery Stores
(Total Category vs. Leading Brand vs. Leading Item)



*Three Product Classes

Chart 33

Turns By "Store Type"*

	Peanut Butter		Toilet Soap	
	Total Category	Brand A	Total Category	Brand A
All Stores	18.6	21.0	11.2	15.7
Warehouse	25.6	29.6	11.7	9.6
Other Over $10 Million	34.0	43.8	27.9	38.6
Other Supermarkets	18.5	22.4	12.1	18.4
Convenience Chains	4.5	4.2	3.5	4.3
Remaining Independents	6.4	6.5	2.8	3.8

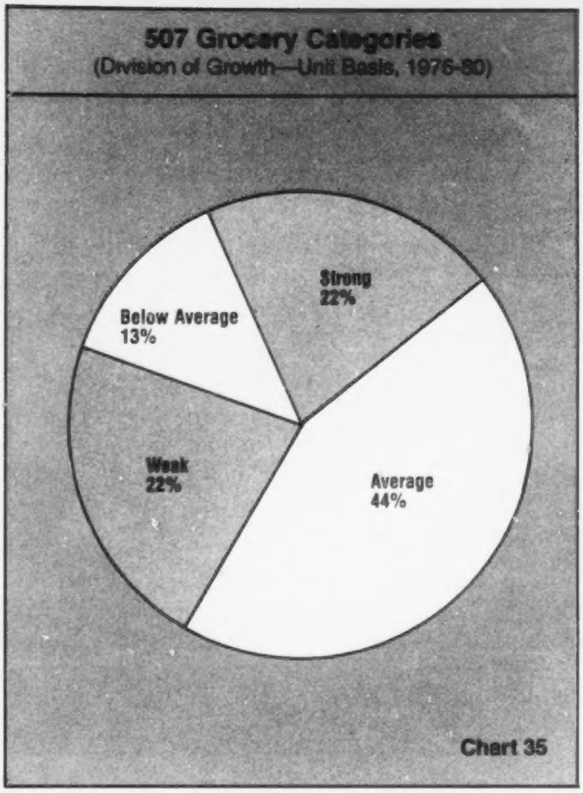
*Annualized-based on 4 months data

Chart 34

I mentioned the store type changes earlier. To get at turns, we ran a special study for this meeting to examine the different outlet types (Chart 34).

For this purpose, we chose two product classes and divided our sample into several store classifications. The first subgroup is warehouse stores. The next is large supermarkets—those with over $10 million annual volume. This would include any combos, superstores, etc., which achieve that volume. Then other supermarkets, which would approximate conventional supers. The bottom two groups are convenience chains and remaining independents.

The information is revealing for a couple reasons. First, the fastest turnover based on the four months of information in this study is for the over $10 million stores—actually quite a bit faster than for warehouse stores



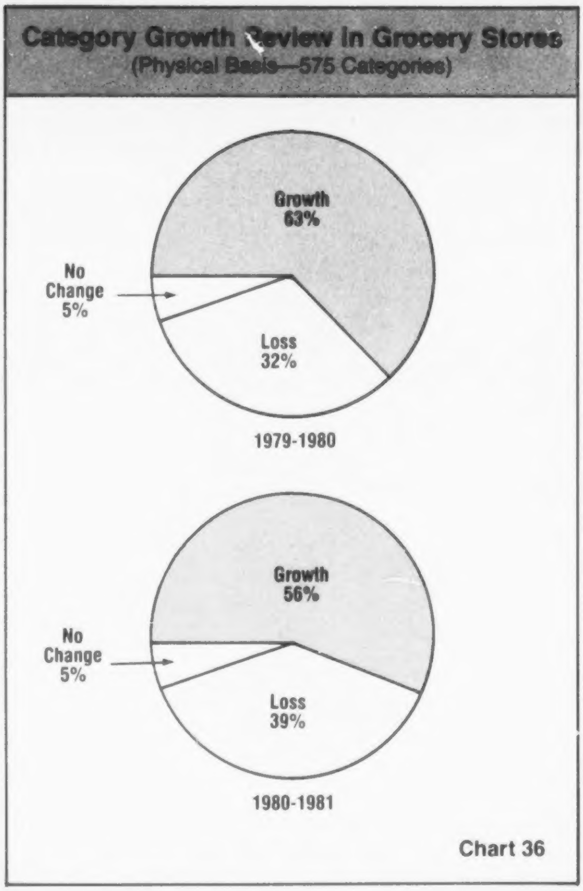
and conventional supers.

Second, we picked one of the leading brands in each of the two categories. These brands turn faster than the category in most cases, with the least difference being in the warehouse stores, convenience chains and remaining independents. Why? It would seem that the number of brands or items handled would be the answer. The broader the item selection, the more the major brands stand out in the category.

There seems to be plenty of food for thought here, particularly on what the manufacturer and the retailer might expect in terms of productivity as the store configuration changes in the years ahead.

Another way to zero in on the dynamics of product categories over time is to look at sales. Chart 35 divided more than 500 categories into groups based on degree of sales change between 1976 and 1980. Strong product classes are those with more than a 5% annual sales growth. Those classified as weak include categories with a 5% decline in volume and the others to be average or below. Only 22% of the categories fit into the strong (5% or more growth), with a like percentage being weak. The most important fact is that most would have to be considered average (some 44%) and the growth for that group has been less than 1½% per year.

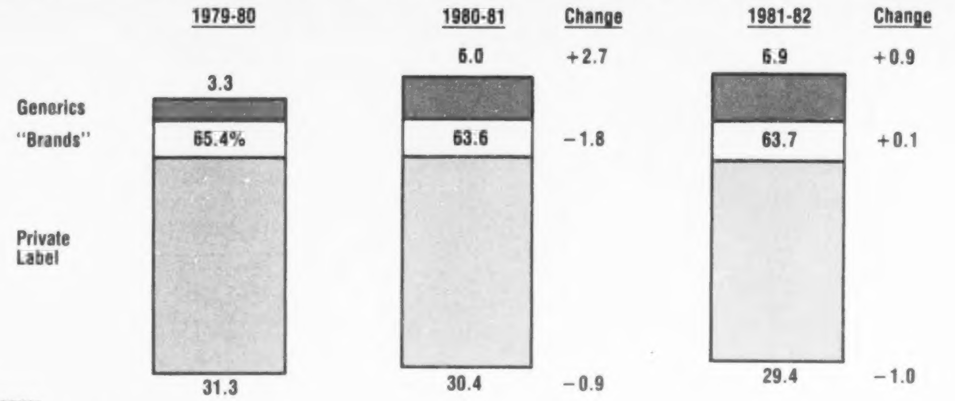
Closely allied to this is that there is no assurance of continued growth for product classes from one year to the next. Chart 36 demonstrates a significant shift in one year in the percentage of a large cross-section of categories to show any physical growth in 1981 vs. the percentage in 1980. Back in 1980, the percentage growing (at 63%) is almost double the percentage showing a loss (32%). But 1981 is quite different. With this kind of flat sales pattern so prevalent, what do we say about generics entering the picture?



Late 1981 and early '82 have seen quite a change in the impact of generics.

Chart 37 follows the trend of 50 highly developed generic categories during the winter and spring months of 1980 to '81 to '82. In 1981 (the middle bar), generics achieved a sizable gain, almost doubling from a 3.3% share for these categories to 6.0%. This gain was taken in almost direct proportion from "brands" and private labels.

Recent Trends—Top 50 Generic Categories
(Winter/Spring—Average Physical Shares)



Generic Changes:
(1) Rate of Growth Diminishing
(2) Competitive Gains Now Centered in Private Label

Chart 37

Long-term Shifts By Region—Annual % Change
(1973-1981)

	Population % Chge.	Households % Chge.	Chain Food Store Counts % Chge.	All Commodity Volume % Chge.	Effective Buying Income % Chge.
Total U.S.	+1.1%	+2.5%	+4.3%	+14%	+16%
East	-0.1	+1.1	+0.5	+11	+13
Central	+0.5	+1.9	+1.5	+12	+15
South/ West	+2.5	+4.0	+6.1	+18	+20

Chart 38

Brands, which have about two-thirds of the business, lost 1.8 points, and private labels the other point. However, in late '81 and early '82 (the bar on the right), the gain for generics is only about one share point overall—and that came mostly from private labels. As I see it, the development of generics depends on the commitment of individual retailers to the merchandising of these product lines, and the growth by product class appears to be diminishing.

So far, I've painted a picture of relatively little change—at least within the broad scope of the grocery forest. If we step back aways from the trees, we notice substantial shifts in the positioning of individual store types, the emergence of generics, sharply changing technology and the growth or decline of individual brands and product categories. Other important changes have occurred by region.

Chart 38 provides a picture of population, household, store count, etc., trends from 1973 to 1981. At the U.S. level, the average annual population increase has been just over 1%. It is not surprising, of course, that the South and West have accounted for most of that growth—increasing by 2½%. And when put on an index basis against the other regions, the South and West stand out in terms of potential.

Household data show almost the same

type of cross-index. Absolute households are up 2½%, or more than twice the rate of the population itself, the South and West are up 4%, and the index has the same characteristics as the population. Further, the numbers of chain food stores in existence have moved in the same direction, up 4% overall and 6% in the South and West.

This is followed by the total grocery business itself, with the South and West causing an even higher index. And finally, the buying power of the population has about matched the growth of the grocery business by area.

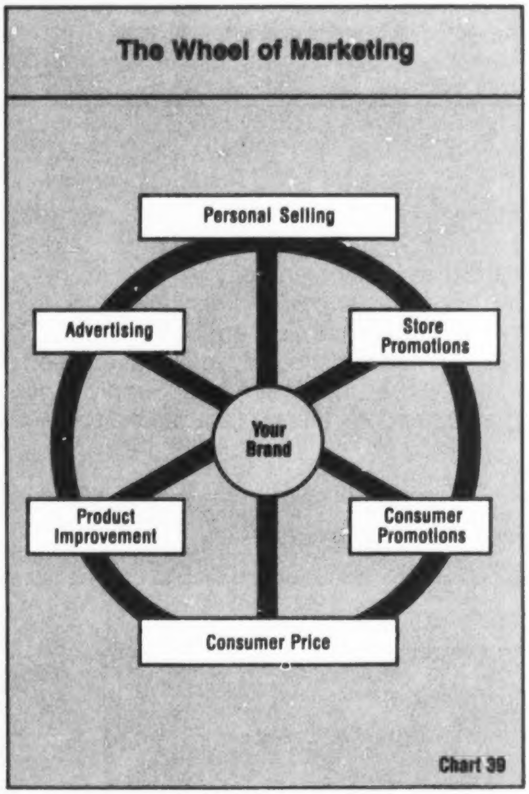

The Wheel of Marketing

Chart 39

Where does all this leave us? I believe it leaves us about where it always has—at a point where we must think and act strategically as well as tactically—in other words, seeking better productivity as we compete for the consumer's trust, loyalty and buying power.

There have been a striking number of changes in the composition of retail operators in many local markets. Many areas across the country have seen some organizations take command, others collapse, some pull out, some merge. This is similar to the manufacturer's struggle for share within a product category. There's only so much business available, and the growth is limited.

Whenever we at Nielsen start to talk about productivity and marketing and share, we always seem to wind up back at a concept developed by J. O. Peckham, Sr.—the wheel of marketing (Chart 39). The point of this wheel is to remind ourselves that program balance is essential for long-term survival and growth.

The hub of this wheel is a specific manufacturer's brand, and the rim a group of consumers who more or less regularly select that brand when they go to the store. The task of marketing then is to create and maintain that customer.

This requires a balance between the spokes if a brand franchise is to be built. Too much emphasis on only price, for instance, or only store promotions, without the other strategic and tactical inputs shown, cannot result in a strong and enduring market share.

I suggest that there is another wheel like this for retail operators. Most of the spokes are the same, although the "personal selling" spoke might better be labeled "organization image"; and product improvement would have more to do with checkout image, item selection, specialty departments, etc.

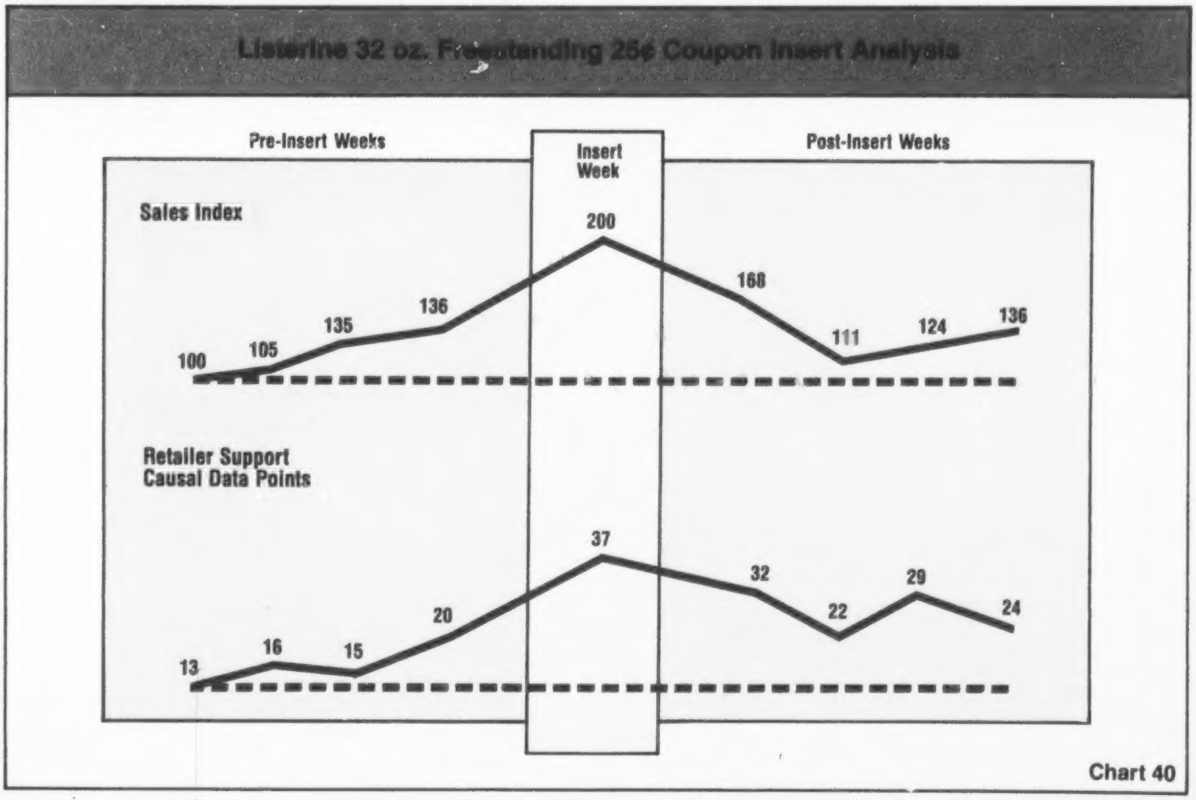
But the wheels wouldn't look too different. Both require keeping things in perspective—remembering, for instance, that consumers have demonstrated, in good times and bad, that they want the assurance that has always come from branded products; and that a flow of superior new products is essential to both the manufacturer and the retailer.

P. M. Schmitt

Paul Schmitt, vice president and director of Scanning Services, also addressed the GMA seminar.

He reviewed the development of scanner equipment in supermarkets and also provided examples of several applications utilizing scanning data. We have reprinted one of the studies from his speech, which was concerned with consumer response to a national freestanding newspaper coupon insert that was supported by some retailers with displays and feature ads.

Warner-Lambert distributed close to 35 million freestanding insert 25¢ coupons on Listerine in Sunday newspaper editions on March 29, 1981. Let's set the stage to evaluate the promotion by looking at the four weeks prior to the insert (Chart 40). We set the sales index at 100, for the first preinsert week and it ranged up to 136 the week prior to the insert. Retailer support of Listerine 32 oz. during this interval ranged from 13 to 20 causal data all-commodity points, which includes retailer ads and displays of all types. The causal data are obtained by Nielsen field reps weekly in all stores used in the NST and LST services. Simply interpreted, the total causal data points indicate



Listerine 32 oz. Freestanding 25¢ Coupon Insert Analysis

Chart 40

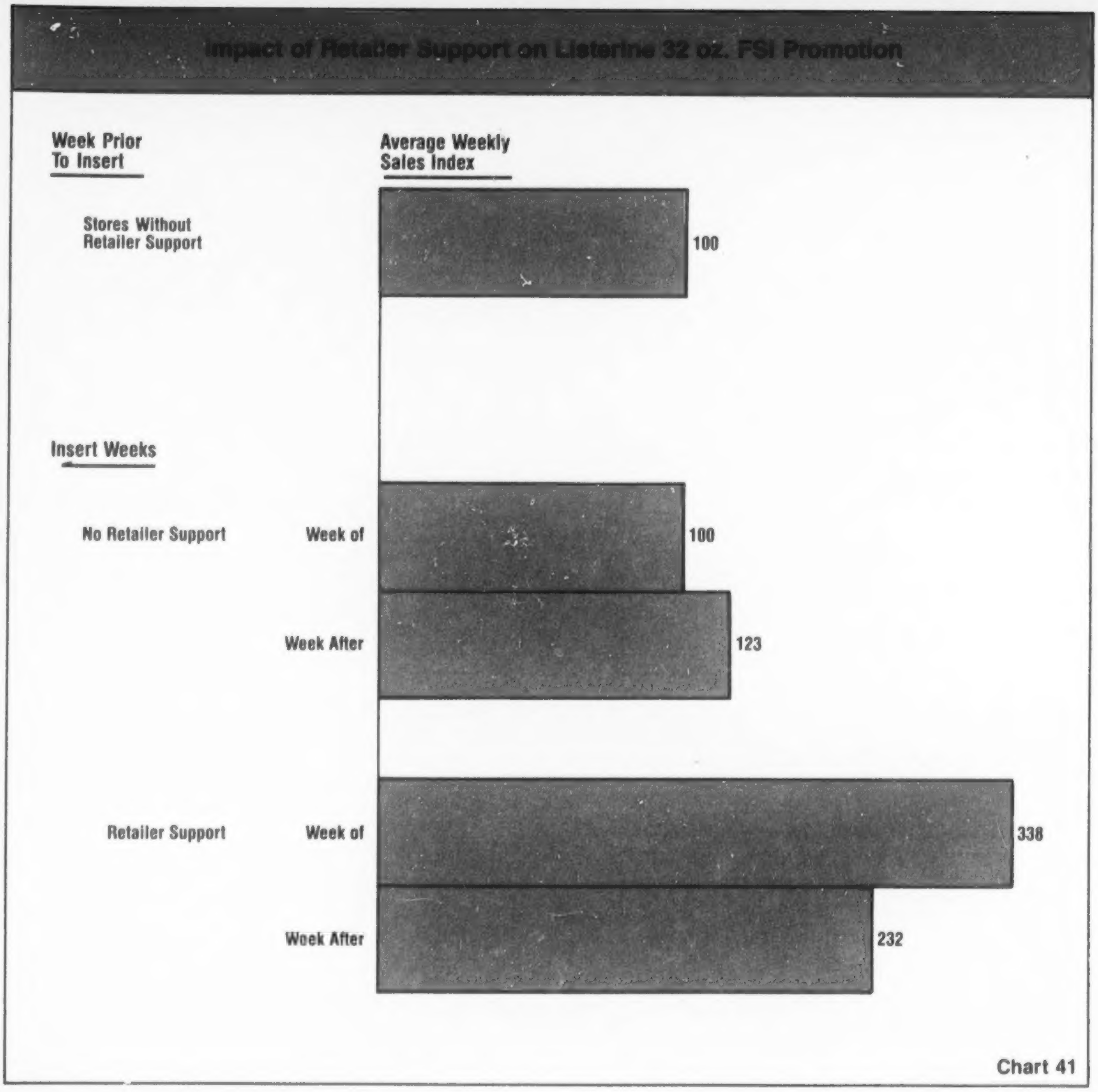

Impact of Retailer Support on Listerine 32 oz. FSI Promotion

Chart 41

the percentage of retailers who supported the promotion with a display and/or retailer ad.

During the insert week the sales index jumped to 200, and retailer support in total also virtually doubled in support of the FSI (Freestanding Insert) promotional event. As we examine post-insert weeks, we find that the week after the insert also contains a significant measure of consumer sales response and retailer support. The post-insert week's sales indexes have remained above the base, as did retailer support.

To obtain a true understanding of the impact of the promotion, and evaluate the effect retailer support had upon the FSI

Freestanding Insert Coupon Analysis

Promoted Brand	Pre-Insert Weeks Composite	Insert Week	1st Post-Insert Week	Rem. Post-Insert Weeks Composite
Aim Dentrifrice				
Sales Index	100	165	128	126
Retailer Support	21	[illegible]	23	32
All Detergent	100	151	121	106
	9	18	14	3
Wisk Detergent	100	141	107	104
	20	31	37	22

Chart 42

promotion, we have used the week prior to the insert and stores that were not promoting Listerine 32 oz. as the base sales index at 100 (Chart 41). During the first two FSI weeks, we find stores without retailer support of the promotion showed increased sales from the base, but in the week *after* the inserts, not the week *of.* In those stores where some form of retailer support was present, however, the sales rate index expanded to 338 and 232.

We found similar overall response levels for other FSI promotions, three of which are summarized in Chart 42. The insert week indexes for Aim toothpaste at 165, All detergent at 151, and Wisk at 141 are significant, in a tight range, and supported by increased retailer support from the base weeks. Manufacturers and retailers now have an opportunity to precisely evaluate this growing promotional vehicle via Nielsen ScanTrack data.

Let me leave you with a few thoughts:

- There is a need to put a governor on the fire hose and organize the flow of scanning data into meaningful and decision-oriented information.
- Don't aggregate the UPC/store/weekly data at the wrong level for future use.
- Continue to develop new solutions to old problems and recognize the creation of new problems and opportunities created by scanner data.
- There is a need for more than just scanner sales data which needs to be supplemented with causal data factors, other observation and confidential profit-related input.
- Take advantage of the opportunity to more definitively evaluate consumer response by testing different conditions economically and under well-defined controlled conditions.
- I suggest that supermarkets are not at capacity, and by increasing turn rates, additional shelf space will be freed up for new merchandise lines.
- The use of scanner data in the decision-making process will create a closer partnership between retailers and manufacturers. We at Nielsen plan to play an important and responsible role in that partnership.

Peso devaluation hurts U.S. supers

The shaky state of another nation's economy may seem far removed from the problems of everyday business, but supermarketers operating in the 150-mile deep swath stretching along the Mexican border find it's a vital concern.

These operators, long accustomed to attracting not only Americans but also Mexicans from border towns, now find themselves suffering along with Mexico's economy. The first blow came in February with the peso's initial devaluation, which cut Mexicans' spending power in American stores. Business had barely recovered when an even more severe devaluation occurred in August. The second devaluation not only virtually eliminated business from Mexicans, who found goods costing more than four times what they had at the beginning of the year, but also drastically cut American business.

Americans have been scurrying across the border to take advantage of the dollar's new buying power, grabbing bargains like instant coffee at $1 a pound.

Meanwhile, some American grocers have seen their businesses cut to shreds. Border towns have been hit hardest and has plummeted to 20% of predevaluation levels. While some supermarketers are fighting back by offering more favorable exchange rates for the floating peso, many banks have refused to exchange pesos at all.

Kroger pushes onward and upward

Some of the supermarket mighty may have fallen lately, but not Kroger. Like the well-oiled machine the company is, it pushed both sales and earnings up for the first half of fiscal 1982.

Sales rose a respectable 8.4% to hit $5.499 billion. But earnings really soared, up 24% to a hefty $56 million for the six months ending June 19.

In commenting on the divestiture of 65 Market Basket stores in southern California, chairman and president Lyle Everingham said they were among 140 supers that Kroger will close during 1982-83. In contrast to these "underproductive" units, 100 new stores will open this year.

Super Valu goes (south)west

Minneapolis-based Super Valu has taken a step in the right direction—southwest—in its move to become a coast-to-coast operation.

The nation's largest food wholesaler, which recorded almost $8 billion in sales in fiscal 1982, has struck an agreement in principle to pick up Denver-based Western Grocers Inc. The acquisition will give Super Valu warehouses in Denver and Albuquerque and will be the firm's first southwestern service area.

Western, a wholly owned subsidiary of Kelly, Douglas and Co., which is owned by Loblaw Cos., presently serves 279 retailers, including IGA, Skaggs, Albertson's, Smith's, Alpha Beta and many independent supermarkets.

Super Valu plans to purchase all of Western's stock for cash, which underlines the firm's financial muscle. Present management will continue at Western.

Hannaford earnings shoot up 54%

It's been a very good year for Maine's Hannaford Bros. so far. The wholesaler/retailer's earnings have zoomed 55.4% in first-half '82, registering $2.024 million.

The sales gain was not as impressive, hitting $139.552 million, a rise of 5.4%. James L. Moody Jr., president and ceo of the South Portland-based company, attributed the smaller figure to the loss of a wholesale customer that had contributed 2% of sales.

Moody said the earnings picture was helped by an improvement in Hannaford's southern marketing area. Southern Maine has been caught up in a price war for three years, as warehouse operators like Heartland have tried to make a dent in the market.

Hannaford is moving ahead with its combo store program; a pharmacy is included in the expansion of its Lewiston, Me., Cottle's Shop 'n Save now under way.

Supermarket Financial Scoreboard

Operation	Period	Date	Sales	% Inc./ dec.*	Net Income	% Inc./ dec.*	Net-to-sales ratio
Dillon Cos.	year	7/3	$2,823,674,052	13.2	$50,581,844	25.3	1.79
Seaway Food Town	9 mos.	6/26	344,150,000	7.7	2.756,000	−29.3	0.80
Fleming Cos.	6 mos.	7/10	835,765,000	8.7	6,164,000	10.2	0.74
Hannaford Bros.	6 mos.	7/3	139,552,000	5.4	2,024,000	55.4	1.45
Kroger	6 mos.	6/19	5,499,000,000	8.4	56,000,000	24.0	1.02
Mott's	6 mos.	7/3	149,280,703	3.4	1,926,102	−16.4	1.29
Waldbaum	6 mos.	6/19	688,707,000	9.0	6,117,000	78.2	0.88
Wetterau	3 mos.	7/3	520,176,000	12.3	2,776,000	21.1	0.53

Source: *CSA Research*

*Compared to same period a year ago